

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

JOEL S. ARIO,
Acting Insurance Commissioner of the
Commonwealth of Pennsylvania,
in his official capacity as Liquidator
of Reliance Insurance Company,

Plaintiff,

v.

RELiance INSURANCE COMPANY,

Defendant.

No. 269 M.D. 2001

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COMMONWEALTH COURT
OF PA (PHILA)

**QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
RELiance INSURANCE COMPANY AS OF MARCH 31, 2008**

I. INTRODUCTION

Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance or Estate"), through his undersigned counsel, hereby submits this report on the status of the liquidation of Reliance, incorporating financial results and claims information through March 31, 2008 ("Report").

II. REPORT

A. Financial Statements

1. Special Purpose Statement of Assets and Liabilities

Reliance has prepared and attached as Exhibit A, a Special Purpose Statement of Assets and Liabilities showing the financial position of Reliance at March 31, 2008 and December 31,

2007("Statement"). The amounts set forth on this Statement for losses and loss adjustment expense liabilities, reinsurance recoverables and several other categories for March 31, 2008 are based upon independent actuarial estimates, utilizing data as of December 31, 2005. These estimates utilized Guaranty Association ("GA") claim data, Proof of Claim ("POC") and Notice of Determination ("NOD") data, pre-liquidation historical data and industry data. Actual liability figures will not be known for several years because, among other things, many of the claims will not develop for some time or are contingent claims dependent on a resolution of underlying litigation which may not be resolved for several years. An independent actuarial firm prepared the analysis of losses and allocated loss adjustment expense ("ALAE") reserves on direct business and reviewed the analysis of losses and ALAE reserves on assumed business which was prepared by Reliance actuaries (see paragraph II.A.9). Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different than the estimate of losses and ALAE reserves included in the Statement.

The reinsurance receivables and reinsurance recoverables shown on the Statement may also change significantly over time because, among other things, 1) the amount of reinsurance recoverable will not be known until all valid POCs have been evaluated and allowed amounts determined and 2) reinsurance collection will be affected by valid offsets, disputes and uncollectible amounts due to the financial condition of reinsurers.

Thus, the Statement does not fully reflect the effects of the liquidation upon many assets and liabilities and also does not include an estimate of the liquidation expenses that will be incurred by Reliance and the GAs in administering the Estate over time. Reliance liquidation expenses are class (a) first priority payments under the Insurance Department Act of 1921, 40

P.S. §221.1 et seq. (“Act”), as are certain GA expenses, to the extent permitted by the Act. Both Liquidator and GA expenses will be significant and will be paid before distributions for claims under policies for losses, class (b) priority, and other lower class creditors. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or any clear indication as to the ultimate distribution that will be made from Reliance. The notes to the Special Purpose Statements, attached as Exhibit D, describe the limitations of the Statements and should be included in any review of Reliance’s financial information.

As of March 31, 2008, the Statement shows estimated total assets were \$5.6 billion, with the most significant balance, \$2.0 billion, relating to reinsurance receivables and future reinsurance recoverables. Early access advances to GAs total \$1.7 billion (see paragraph C.2). Total invested assets were \$1.7 billion.

Total estimated liabilities at March 31, 2008 were \$9.2 billion. The most significant balance of \$5.0 billion is estimated for losses and ALAE to be processed on business classified by Reliance as direct insurance business, virtually all related to class (b) POCs. The \$5.0 billion is comprised of estimated reserves for POCs where a NOD has not yet been issued and estimated amounts for future claims to be paid by GAs. Court approved NODs for class (b) creditors total \$431 million offset by \$58 million in asset distribution payments. Losses and ALAE paid by the GAs on business classified by Reliance as direct insurance business were \$2.5 billion. Also included in total liabilities is \$1.2 billion relating to losses and ALAE on assumed reinsurance business, which are class (e) general creditor claims under 40 P.S. §221.44, unless valid offset rights exist.

Attached to this report as Exhibit B is a Special Purpose Statement of Changes in Policyholders' Surplus for the three months ended March 31, 2008 and for the period from October 3, 2001 to March 31, 2008. The estimated net deficit at March 31, 2008 was \$3.6 billion, up from \$2.7 billion at the date of liquidation, but is subject to change as noted above.

2. Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments

Attached to this report as Exhibit C is a Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments ("Cash Flow Statement") for the period from January 1, 2008 through March 31, 2008. Short and intermediate duration investments available at the beginning of the period were \$1.3 billion, increasing to \$1.5 billion at the end of the period.

Reinsurance collections were the primary source of cash receipts totaling \$235.1 million. Other sources of receipts included premium collections, claim recoveries and investment income. For further explanation of reinsurance collections, see paragraph A.8. Total cash receipts were \$269.7 million.

The largest cash disbursement was the interim distribution payment to class (b) creditors of \$52.1 million (see paragraph D.3.). Other cash disbursements consisted of losses and ALAE of \$1.1 million and operating expenses of \$27.0 million. Additional detail is provided for operating expenses in paragraph B.2. Total cash disbursements were \$80.2 million. The decrease in market value of short and intermediate duration investments managed by investment managers, which is considered a non-cash item, was \$19.7 million. Overall, short and intermediate duration investments increased for the three months ended March 31, 2008 by \$169.8 million.

3. Short and Intermediate Duration Investments

Due to strong positive cash flows since the beginning of the liquidation, primarily reinsurance collections and asset sales, Reliance increased its liquid investment portfolio to \$1.5 billion as of March 31, 2008. Excess cash flows over and above the immediate operating needs of the Estate are transferred to investment managers and invested in short and intermediate duration bond portfolios and an equity index fund. An Investment Committee oversees the investment operations at Reliance under approved investment guidelines. The Committee utilizes investment advisors, money managers, valuation consultants and other professionals in its oversight duties. Specific securities held in the portfolio are regularly traded as the managers actively manage the portfolio in accordance with the guidelines.

4. Investments Held in Segregated Accounts

At March 31, 2008, Reliance held \$8.3 million in trust for specific obligations to secured creditors relating primarily to losses on assumed reinsurance business. In addition, Reliance held \$24.3 million representing collections under large deductible policies, which are not Estate assets and will be administered and paid to GAs and other claimants in accordance with 40 P.S. §221.23a.

At March 31, 2008 Reliance held \$12.9 million solely for the benefit of uncovered claimants (claimants whose class (b) losses are not covered by GAs). This balance consists of funds received from the settlement of the large deductible reimbursement dispute with the GAs (see paragraph C.3), plus accrued interest.

5. Real Estate

Disposition of the last remaining holding, 3 acres in Loudoun County, VA, is awaiting final signoff from various parties and negotiation with the selected purchaser. Failing that, a

condemnation by the County may take place and fair value will be received through that process. If the condemnation does not occur, disposition of the property may be delayed into 2009.

6. Affiliates and Subsidiaries / Non-Liquid Investments

Reliance continues to monitor all remaining assets in this category to determine the best strategy and timing for maximizing value. Included in these assets are the Reliance Canadian Branch; RCGIT, the indirect information technology subsidiary of Reliance; residual equity from liquidation of the former Reliance Singapore and UK subsidiaries; and various other illiquid securities, including the investment in Onyx (a private real estate company) whose underlying properties may provide some value in the future.

7. Premium Balances

As of March 31, 2008, Reliance estimates current and future premium receivables of \$82.7 million which includes billed receivables and an estimate of \$48.7 million for future billings under retrospectively rated policies, where future premium billings will be based on paid losses. Premiums on retrospective policies will be billed and collected on an ongoing basis. Reliance is aggressively pursuing receivable amounts due the Estate and legal proceedings have been initiated where appropriate.

8. Reinsurance

a. Reinsurance Billings and Collections

As of March 31, 2008, reinsurance receivables and future reinsurance recoverables were \$2.0 billion after deductions for estimated future uncollectible amounts and offsets. At March 31, 2008 Reliance held approximately \$484.6 million in collateral as security for this exposure. Reinsurance collections for the first quarter of 2008 totaled \$235.1 million with total collections of \$2.5 billion since the date of liquidation. These totals are inclusive of receipts on ordinary

ceded loss billings, dispute settlements, commutations, releases of funds from reinsurance trusts and distributions from insolvent reinsurers.

The inventory of billed reinsurance receivables is \$244 million as of March 31, 2008, consisting primarily of post-liquidation balances. Nearly all of the pre-liquidation balances of \$64 million are either in dispute, claimed by reinsurers as offsets, or are due from insolvent or financially distressed companies. Included as Exhibit E is a listing of balances due from reinsurers at March 31, 2008.

On a monthly basis, Reliance receives GA data feeds reflecting paid and outstanding claim information. This GA data plus the NODs issued by the Liquidator have generated approximately \$1.75 billion of post-liquidation reinsurance billings, of which approximately \$180 million were unpaid at March 31, 2008. The post-liquidation amount readily available to collect is estimated at \$71 million. The remaining balances of \$109 million are either disputed by reinsurers, due from financially distressed companies or claimed by reinsurers as offsets.

Reliance deals with many reinsurers who have significant offset balances due to assumed reinsurance business written by Reliance. The research and reconciliation analysis required for the offset process will continue for several years as claims from assumed business mature and are reported to the Estate.

b. Reinsurance Collection Issues

Reinsurance is the largest asset of Reliance and the structure, procedures and controls within the Reinsurance Department and throughout Reliance operations have been analyzed and redesigned to maximize collections in a liquidation environment. Reliance has dedicated staff, many of whom have extensive reinsurance experience, coordinating with reinsurers to provide appropriate claims documentation, respond to inquiries, resolve disputes and verify proper

offsets. Reliance also continues to seek additional cooperation and support from insureds, claimants and the GAs in providing timely, complete and accurate claims documentation and data to support reinsurance billings. During the first quarter of 2008, Reliance completed 27 reinsurance reviews at various GAs.

Notwithstanding these efforts, reinsurance collections are a difficult and lengthy process in liquidation. In almost all cases, time frames for responses and payments from reinsurers have lengthened considerably. While there are some reinsurers who have dealt with Reliance in a professional, responsive manner, many do not fall into this category. Many reinsurers now require much more documentation (significantly more than prior to liquidation and often more than is contractually required) and then respond with many questions in a series of inquiries before even stating their payment position on the billings. Numerous requests for reinsurer audits have been accommodated and these requests will continue in the future. Some of the audits are used by the reinsurers to inflate perceived or minor discrepancies, which provide reinsurers with a contrived basis for delay, forced compromise, commutation settlement or for trying to avoid liability altogether. Formal and informal dispute resolution actions continue against several reinsurers with substantial overdue balances. At March 31, 2008 Reliance had legal actions pending against Canada Life (as successor to Crown Life), Continental Casualty, Monumental Life, Republic Western, Unum Life, U.S. Life and Zurich Specialties Ltd. as well as two legal actions pending against Underwriters at Lloyds. In addition, Reliance expects to commence additional legal actions against recalcitrant reinsurers as necessary to enforce its rights.

Collections in this environment result from constant, intensive day-to-day “blocking and tackling” by the Reinsurance Department, assisted by the Claims Department and other Reliance

staff at all levels. Liquidator and Reliance staffs have decades of experience in reinsurance collections, specifically including collections in a run-off or liquidation environment. In addition, they are intimately familiar with the several thousand complex treaties and facultative placements covering the wide variety of Reliance products marketed over the last 20 years. Reliance is in constant contact with its major reinsurers and will continue its aggressive collection efforts.

Reliance will also use commutations as an alternative in dealing with reinsurers. In a commutation, Reliance would receive a lump sum payment today from a reinsurer representing an estimate of all known and future unknown losses. During 2007, Reliance targeted a select group of companies, where significant data was available on known loss exposures, for commutation. During 2008 and beyond, as more claims information is reported by claimants, the commutation program will be expanded. Where applicable, commutations will be submitted for approval consistent with the asset guidelines previously communicated by the Court.

Reinsurer financial strength remains a problem for the insurance industry in general, and will continue to be a major concern for the duration of the liquidation proceedings. Reliance has dedicated resources to monitor the financial condition of its significant reinsurers and where possible will attempt to settle its overall exposure with distressed companies through commutation. In these distressed commutation situations, it is likely that Reliance will accept substantial discounts for its recoverables. Similar to many ongoing insurance entities, Reliance will experience significant write-offs for uncollectible reinsurance and disputes. Thus, an appropriate bad debt reserve has been established.

9. Independent Actuarial Review

In late 2006, PricewaterhouseCoopers LLP (“PWC”) completed a post-liquidation independent actuarial review of estimated losses and ALAE exposures, both known and unknown as well as reinsurance recoverable. Estimates were based on information as of December 31, 2005, including GA claim data, POC and NOD data, pre-liquidation historical data and industry data modified for current trends as well as prevailing economic, legal and social conditions. The financial results of the PWC selected best estimate, which represents one possible value in a range of acceptable estimates, were first recorded in the September 30, 2006 financial statements and the current financial statements continue to reflect this estimate. Reliance plans to engage PWC to prepare an updated actuarial review based on 2008 data. When the study is completed, the new selected best estimate will be reflected in the quarterly financial statements prepared in 2009.

B. Expenses

1. Losses and allocated loss adjustment expenses

Losses and ALAE shown on the Cash Flow Statement, Exhibit C, represent amounts incurred by the Estate for handling certain creditor claims, POCs, NODs and the related objection process.

2. Operating Expenses

The operating expenses of Reliance relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all Reliance policyholders and claimants, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties responsible for the insolvency of Reliance.

Attached as Exhibit F is an Operating Expense Analysis which indicates the total dollar amount for each expense category for the three months ended March 31, 2008 and compares actual performance to budgeted amounts and prior year's actual expenses. As detailed in the Operating Expense Analysis and supporting schedules, the administrative expenses of Reliance for the three months ended March 31, 2008 totaled \$24.1 million, compared to a budget of \$25.7 million and actual expenses in 2007 of \$26.2 million. Additional operating expenses were incurred during the period by the GAs with expense reimbursements of \$2.9 million compared to a budget of \$2.7 million. There were no GA expense reimbursements made in the first quarter of 2007. Brief explanations regarding certain aspects of the expenses are provided below, by category.

a. Salaries, Employee Benefits and Taxes

At March 31, 2008, Reliance had a total of 263 employees in both the Philadelphia and New York City offices. Since January of 2008, staff count has declined by 8 employees. Reliance also uses consultants to support the operations, especially in the IT area. At March 31, 2008, there were 43 consultants of which 31 were related to the IT business application systems.

b. IT Outsourcing Expenses

Acxiom, a third party provider, maintains the IT technical infrastructure necessary to execute Reliance's business application systems. The Acxiom outsourcing arrangement covers data center and network equipment, software and services, plus support services for help desk, desktops, on-site servers, and operational and disaster recovery. RCG, which is a wholly owned subsidiary of Reliance, continues to provide production support, maintenance, security and development services for Reliance's business application systems.

c. **Legal Fees and Expenses**

Attached as Exhibit G is a schedule containing the legal expense detail by firm for the first three months of 2008. In addition to law firms, the schedule includes consultants, document management firms, and other litigation and legal support service providers. The legal expenses of the Reliance Estate can be divided into three general categories of legal matters: (1) Estate administration; (2) general asset recovery; and (3) third party actions against parties liable for injuring Reliance, its policyholders, creditors and the public generally. Categories 1 and 2 are discussed below; category 3 is discussed in paragraph F. Budget variances are due to the variable nature and timing of the legal process in various aspects of the Estate operations.

Estate Administration: In the course of administering the Estate, Reliance continues to address and resolve several complex and multifaceted legal issues and challenges arising both from ordinary operations and from the complex Reliance products and business structures. These issues often implicate the laws of many jurisdictions, including state, federal and foreign, and involve such things as (1) stays of litigation; (2) various claim issues; (3) issues arising with the GAs; (4) reinsurance commutations and cut-through requests; (5) draw downs of collateral; (6) premium and reinsurance set-off issues; and (7) the negotiation and execution of various asset transactions.

General Asset Recovery: Reliance has also undertaken numerous plaintiff actions to recover assets owed to the Estate, including recovery of reinsurance owed to the Estate. Some of these actions seek recovery of deductible amounts that benefit the GAs. As of March 31, 2008, the actions pending include both litigation and arbitrations for (1) approximately \$13.9 million sought from agencies, third party administrators, brokers or program managers; (2) approximately \$10.6 million sought in bankruptcy proceedings from financially distressed

insureds; (3) approximately \$12.3 million sought in subrogation matters; (4) approximately \$14.3 million sought in premium and large deductible collections; (5) approximately \$57.7 million sought in reinsurance recoveries; and (6) approximately \$4 million sought in other litigation. In the first quarter of 2008, Reliance recovered approximately \$19.5 million through legal actions. Since January 2003 through the first quarter of 2008, Reliance has recovered in excess of \$282 million through legal actions, a portion of which benefits the GAs.

d. Professional Services Expenses

Attached as Exhibit H is a schedule containing the professional service expense detail by vendor name for the first three months of 2008. The individual professionals and firms listed in the schedule include, among other things, investment managers, London market broker services, imaging services, auditing services, actuarial services, and permanent and temporary staffing services which provide resources for the IT, claims, reinsurance and accounting departments as needed. The professional service expense schedule also contains entries for professional services provided to Reliance by the Pennsylvania Insurance Department, either directly by the professional staff of the Office of Liquidations, Rehabilitations and Special Funds, or through specialized consultants hired to assist the Liquidator in administering the liquidation of Reliance.

e. Rent

Rent is primarily attributable to office space in New York and Philadelphia. Reliance reconfigures workspace wherever possible in order to reduce costs by consolidating space requirements. Workspace changes completed in the first quarter of 2008 will result in more than \$1 million of rent expense savings over the remaining life of the leases.

f. Guaranty Association Expenses

The Operating Expense Analysis, Exhibit F, lists as administrative expenses of the Estate certain expenses of GAs incurred in handling claims of Reliance policyholders and claimants, pursuant to 40 P.S. §221.44(a). Reliance receives regular quarterly reports from most GAs and administrative expenses are reimbursed on an ongoing basis. The total GA administrative expenses paid by Reliance from inception of the liquidation through March 31, 2008, is \$193.5 million with another \$20.1 million currently awaiting review and reimbursement. Attached as Exhibit I is a schedule showing the administrative expenses reported to Reliance by GAs as of March 31, 2008. Reliance conducts periodic desk and on-site reviews of GA administrative expenses and makes appropriate adjustments. With respect to inaccurate administrative expense data, overpayments, reductions, reclassifications or adjustments, both the Liquidator and the GAs have reserved their respective rights to seek appropriate relief, if and as needed. As Reliance ultimately evaluates these expenses, the vast majority will be allowable as class (a) claims. However, there will likely be certain disagreements between the Liquidator and the GAs that will be addressed and resolved by the Court.

C. National Conference of Insurance Guaranty Funds (“NCIGF”)

The GAs are an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. The liquidation of Reliance, as the largest U.S. property and casualty liquidation, has been challenging for all involved, including GAs. From the start of the liquidation, Reliance met regularly with a task force and various working groups organized through the NCIGF, whose members include almost all of the state property and casualty insurance GAs in the United States. The meetings have focused on continuing operational issues such as large deductible

reimbursements; claim handling procedures; communication protocols; GA data reporting and UDS protocol; the priority, classification and reporting of administrative expenses and related reviews; and Reliance product and policy information. Another area of continuous discussion is the necessity for coordination of reinsurance reviews and loss reporting to maximize reinsurance collections. The NCIGF, most GAs, and Reliance have established a close working relationship and will continue to address the extensive and complex issues involved in the Reliance Estate in a professional, mutually cooperative and beneficial manner.

1. Status of Uniform Data Standards (“UDS”)

A dedicated department within Reliance was established early in the liquidation to coordinate with the various GAs and their vendors in managing the data reporting process and reviewing exception items. There are now 56 GAs reporting monthly paid and outstanding loss information, through a UDS automated interface, which are subsequently processed in Reliance operating systems to update records and generate the related reinsurance billings. Two small GAs are reporting on a manual basis to the Estate. Over 99% of GA payments and reserves have been matched to Reliance systems.

2. Early Access

At March 31, 2008 early access advances to GAs include early access post-liquidation cash payments (\$1.275 billion); the transfer of pre-liquidation statutory deposits (approximately \$421 million); and payments made by Reliance on behalf of certain GAs shortly after October 3, 2001 (approximately \$25 million); totaling \$1.7 billion.

3. Large Deductible Policies

Prior to liquidation, pursuant to large deductible agreements with insureds, either the insureds made arrangements with Reliance for the resolution of claims within the deductible and

funded the claims payments, or in some cases, Reliance paid all claims and subsequently billed and collected the deductible amounts from the insureds. In either event, most insureds were required to provide collateral to Reliance to secure their obligations to pay or to reimburse Reliance for claims paid by Reliance within the deductible.

The provisions of 40 P.S. §221.23a, adopted in 2004, conferred the benefit of the large deductible reimbursements solely on the GAs and created numerous additional duties and responsibilities for a liquidator in the handling of insured collateral and collection of deductibles. The GAs are coordinating with Reliance to ensure a cooperative implementation of 40 P.S. §221.23a. On a gross basis, over \$79 million of deductible collections have been distributed to the GAs.

D. Claims Process

The deadline for filing POCs was December 31, 2003. As of March 31, 2008, Reliance has received a total of 159,578 POCs. Of these 159,578 POCs, 10,067 were received after the claim filing deadline. Notwithstanding the claim filing deadline, Reliance continues to receive new POCs and many of these POCs may be considered timely filed if the claimant can show good cause for the late filing.

1. Status of POCs

As of March 31, 2008, Reliance has issued NODs for 131,750 of the 159,578 POCs for a total allowed amount of \$594,827,327. Reliance has now issued NODs for more than 82% of the POCs filed with the Estate. This Court has approved 89,540 of those NODs, as of March 31, 2008, for a total allowed amount of \$471,170,323. Exhibit J breaks down this information by priority class and Exhibit K provides the same information for only the first quarter of 2008. Although Reliance has addressed a significant portion of the pending POCs, it is expected that

new POCs will continue to be filed as claims, previously unknown or contingent, continue to develop.

Exhibit L indicates the status of all 159,578 POCs received as of March 31, 2008. Of the 27,828 POCs remaining to be evaluated, 6,691 relate to claims currently being handled by the GAs and these claims will be addressed by Reliance once the GAs close their claim files and return them to Reliance. Approximately 11,675 of the 27,828 POCs are either 1) POCs where the claimant has identified a specific claim but the underlying claim has not yet been resolved (“contingent claim”) or proper documentation has not been provided to Reliance or 2) POCs where the claimant has notified Reliance that there may be a claim in the future, but has not yet identified any particular claim.¹ It is expected that additional claims will develop under the POCs filed without identification of any particular claim. Approximately 8,245 POCs are in various stages of review and evaluation and therefore, in one or more aspects, awaiting information. As part of that process, Reliance requests additional information from the claimant, or other sources, as necessary. When complete information is provided quickly, the POC will move to the next category of ready to evaluate. As of March 31, 2008, there were 1,217 POCs ready to evaluate and for which NODs will be issued within 180 days. The movement of POCs through the various categories is a continuous process when adequate information is provided by claimants.

¹ Reliance wrote a variety of long tail lines of business, including: (1) workers compensation; (2) medical malpractice; (3) construction defect; (4) errors & omissions; (5) directors & officers liability; (6) environmental (asbestos and pollution); and (7) professional liability. For reasons unrelated to the Reliance receivership, but based rather on the nature of the insurance coverage written by Reliance and the claims under those policies, it will be many years before some of these long tail claims will be resolved so that they can proceed through the review and evaluation process.

On May 30, 2008, the Liquidator filed a Petition For Approval of Report and Recommendations on Claims Undisputed and Settled as of December 31, 2007. The petition sought approval of 14,241 NODs for a total allowed amount of \$70,541,249. The Court approved the NODs on June 13, 2008.

2. Obtaining Claims Information from Claimants

There are many claimants as described above that filed their claims on or before the claim filing deadline but have not provided the supporting information required by the Act. On May 1, 2007, this Court issued an Order (“Claims Information Order”) requiring claimants to submit complete information about their claims within certain time frames and to respond to requests from the Liquidator for additional information in a timely manner. On November 19, 2007, this Court issued a supplemental Order (“Supplemental Claims Information Order” and together with the Claims Information Order, “Claims Information Orders”) mandating that the claims of any claimant who did not respond as required would be subordinated to class (g). It is not expected that claims in class (g) will receive any distribution.

The Liquidator has complied with the Claims Information Orders by requesting information from claimants and, if no response is received, sending final demand letters. Although the Liquidator has mailed thousands of letters requesting information, 19,443 NODs have been issued at class (g) because information was not supplied as required by the Court. However, Reliance has received objections to only .1% of these class (g) NODs.

The Claims Information Orders have allowed the Liquidator to address and process many dormant POCs, most of which would never actually mature into claims against the Estate. Besides accelerating the evaluation and administration of POCs, the resolution of these POCs

enables Reliance to more accurately estimate ultimate liabilities, reinsurance recoverables and distribution scenarios.

As new POCs are filed or as the claims underlying pending POCs are resolved, the CIO requires claimants to provide information on resolved claims within 90 days of resolution or those claims may be subordinated to class (g). Claimants are also required by the CIO to respond within 60 days to any request from the Liquidator for specific additional information.

3. Status of Distribution

On January 17, 2008, this Court approved the Liquidator's Petition for First Interim Distribution ("Distribution Petition") allowing a 20% distribution to all class (b) claimants whose NOD has been approved by this Court. In accordance with the Order approving the Distribution Petition, the Liquidator filed a Report on First Interim Distribution on April 24, 2008, detailing to whom payment was made and the amount of such payment. Over \$58 million was initially distributed for about 3000 NODs. A second round of checks was issued during the week of June 16, 2008, totaling approximately \$3.7 million for about 37 NODs.

The Liquidator will continue to issue the first interim distribution checks on a quarterly basis to claimants whose NOD is subsequently approved by the Court. Distribution amounts for claims under Aggregate Policies were and will continue to be calculated pursuant to the Order issued by this Court on November 19, 2007 approving the Liquidator's Petition to Supplement the Court's September 9, 2002 Claims Procedures Order to Address Claims Under Aggregate Policies.

4. Objections to NODs

As of March 31, 2008, the Liquidator has received a total of 946 objections to the 131,750 NODs issued, an objection rate of less than 1%. Large groups of these objections relate

to several claimants with similar types of claims and thus are resolved collectively through the dispute resolution process. Of the 946 objections received through March 31, 2008, 871 have been resolved; 72 of the 75 unresolved objections have been assigned to referees. Exhibit N indicates the status of all objections received through March 31, 2008 and Exhibit M breaks down this information by priority class and also includes the Allowed Amounts for objections in each priority class.

5. GA Claims

In addition to reviewing and evaluating all POCs filed with Reliance by policyholders and other claimants, it will also be necessary to review and evaluate administrative expense claims, loss and ALAE claims, unearned premium claims, and any other claims submitted by the GAs and then reconcile the GA quarterly expense reports and UDS data with Reliance books and records. As a group, the GAs represent the largest creditor of the Estate. On November 19, 2007, this Court approved the Liquidator's Amended Petition to Supplement the September 9, 2002 Claims Procedures Order To Address the Administration of GA Claims. The GA claims process presents several unique issues and this Order approved procedures which will allow the Liquidator to address those issues. Reliance will submit its first report on undisputed GA claims later this year.

a. Administrative Expense Claims

Certain allowed GA administrative expenses are priority class (a) claims under 40 P.S. §221.44. As previously noted, most GAs report their administrative expenses on a quarterly basis and are reimbursed on a regular basis. As of March 31, 2008, the GAs have reported administrative expenses totaling approximately \$213.6 million. Paragraph B.2.f above explains the review process for these administrative expense claims in some detail.

b. Loss and ALAE Payments

Most GAs report their loss and ALAE payments through the UDS interface. As of March 31, 2008, the GAs have paid approximately \$2.5 billion for losses and ALAE under Reliance policies and \$1.275 billion of cash advance distributions have been made to them through early access, in addition to over \$400 million held in special deposits. The GAs' outstanding reserve for remaining losses and ALAE totals approximately \$1.671 billion. Therefore, in total through the end of the liquidation, the GAs expect to pay out approximately \$4.237 billion in loss claims and ALAE. Exhibit I shows the total losses and ALAE paid as well as losses and ALAE reserves reported by each GA at March 31, 2008. Both the paid amounts and outstanding reserves reported by GAs over time are graphically shown in Exhibit O attached hereto. As indicated by the graph, the GAs have paid approximately 60% of the total dollar amount that they ultimately expect to incur for all claims. These totals do not include past or future GA administrative expenses.

E. Other Operational Updates

1. Collateral Release

Pursuant to the November 30, 2001 Order of this Court, the Liquidator has established a structured process to carefully review requests for the release of collateral held to secure obligations for direct insureds (primarily large deductible policies), certain reinsurers (including captive reinsurers), and premium receivables. The extensive review process includes input from several Reliance departments, including Policy Finance and Administration, Actuarial, Claims and Finance. As of March 31, 2008, Reliance held collateral of approximately \$1.1 billion to secure current and future obligations. For the three months ended March 31, 2008, 38 accounts were reviewed, resulting in a release of \$11 million for 20 accounts; denials were issued for 7

accounts; and the remaining 11 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

2. Reinsurance Cut-Throughs

A committee was established to review and recommend action for cut-through requests submitted to the Liquidator. Since the implementation of the guidelines, 31 cut-through requests have been submitted to the Liquidator. The Liquidator has approved 18 of these requests. Of these 18, all have also been approved by the Court as of the end of the first quarter of 2008. Of the remaining 13 requests, 8 were disapproved by the Liquidator, 2 were withdrawn and 3 were pending before the Liquidator as of the end of the first quarter. Two of the 8 requests that were disapproved by the Liquidator were never contested, 2 were also disapproved by the Court and 4 were disputed. One of the 4 disputed matters is in the discovery stage before the Court, 2 have been stayed by the Court upon the consent of the parties and 1 was approved by the Court.

3. Ancillary and Foreign Receiverships

Ancillary receivership proceedings were initiated in Arizona, Arkansas, Florida, Idaho, Maryland, Massachusetts, New Mexico, New York, North Carolina, Oregon, Puerto Rico, and South Carolina, primarily to trigger the obligations of GAs in those states or to take possession of the statutory deposits so that they could be transferred to the appropriate state GA. Both Florida and Idaho have closed their ancillary receiverships and there has been limited activity in the other ancillaries.

As previously reported, the Reliance Canadian branch was placed in liquidation in Canada and the Reliance Liquidator was appointed as an inspector in those proceedings. KPMG, in its capacity as liquidator of the Canadian branch, oversees daily operations. Although a long-

term run-off plan has been developed and is being monitored by KPMG and Reliance, a sales or assumption transaction may be possible and would be considered where appropriate.

F. Major Litigation

1. Matters Involving Reliance's Parent Companies

Pursuant to the settlement agreement between Reliance and its parent holding companies, Reliance and its ultimate parent, Reliance Group Holdings, share 50/50 certain "New Cash" coming into the possession of the parent holding companies after execution of the settlement agreement. Consequently, there may be future cash payments to Reliance depending on whether other potential assets of the parent companies can be identified and/or liquidated.

2. Major Third Party Claim

The Liquidator commenced in this Court a malpractice lawsuit against Reliance's former auditor and outside actuary, Deloitte & Touche ("D&T"), and one of its principals ("Deloitte case"). In accordance with a second revised case management order issued in the Deloitte case, fact and expert discovery has been concluded. An unsuccessful mediation was held on March 12, 2008. On April 10, 2008, the Court heard argument on D&T's Motion For Partial Summary Judgment. On June 13, the Court issued a Memorandum Opinion and Order granting D&T's motion in part and denying it in part.

Respectfully submitted:

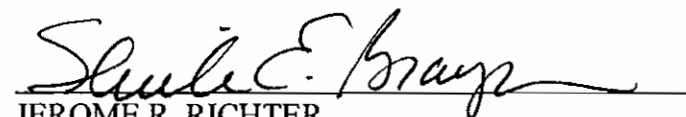
By:



PRESTON BUCKMAN (I.D. #57570)
Special Funds Counsel
Pennsylvania Insurance Department
Capitol Associates Building
Office of Chief Counsel
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

BLANK ROME LLP

By:



JEROME R. RICHTER
ANN B. LAUPHEIMER
SHEILA E. BRANYAN
One Logan Square
Philadelphia, PA 19103
(215) 569-5500
(215) 569-5555 (Fax)

Attorneys for Joel S. Ario, Acting Insurance Commissioner
of the Commonwealth of Pennsylvania, in his official
capacity as Statutory Liquidator of
RELiance INSURANCE COMPANY

Dated: June 26, 2008

Exhibit A

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES - UNAUDITED**

(In Millions)

	<u>March 31, 2008</u>	<u>Dec. 31, 2007</u>
ASSETS		
Short and intermediate duration investments	\$ 1,498.3	\$ 1,328.5
Investments held for secured creditors	32.6	35.7
Investments held for uncovered claimants	12.9	12.8
Real estate investments	0.6	0.6
	<u>1,544.4</u>	<u>1,377.6</u>
Invested assets excluding affiliates		
	<u>137.1</u>	<u>137.1</u>
Total invested assets	1,681.5	1,514.7
Premium balances	82.7	83.7
Reinsurance receivable	244.1	261.7
Reinsurance recoverables	1,798.4	2,124.0
Early access advances to guarantee associations	1,722.3	1,721.6
Other assets	33.0	35.5
	<u>5,562.0</u>	<u>5,741.2</u>
LIABILITIES		
Losses and loss adjustment expenses - paid by guaranty associations	2,524.5	2,480.3
Losses and loss adjustment expenses - direct	4,980.8	5,058.7
Losses and loss adjustment expenses - assumed	1,191.3	1,206.7
Notices of Determination issued for class (b) creditors	431.4	396.3
Asset distributions to class (b) creditors	(58.0)	-
Net outstanding Notices of Determination issued for class (b) creditors	<u>373.4</u>	<u>396.3</u>
Funds held	57.5	60.7
Other liabilities	50.1	46.8
	<u>9,177.6</u>	<u>9,249.5</u>
Total liabilities		
Net deficit	<u>\$ (3,615.6)</u>	<u>\$ (3,508.3)</u>

The special purpose statements of assets and liabilities of Reliance Insurance Company (in Liquidation) are prepared on a unique financial reporting basis, in that, the statements do not fully reflect the effect of the company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the accompanying statements of assets and liabilities. The statements do not include any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The special purpose statements of assets and liabilities are not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners.

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit B

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENT OF CHANGES IN POLICYHOLDERS' SURPLUS - UNAUDITED**

(In Millions)

	<u>Three Mos. Ended March 31, 2008</u>	<u>Period From Oct. 3, 2001 To March 31, 2008</u>
Policyholders' surplus - beginning of period	(\$3,508.3)	(\$2,683.5)
Underwriting loss	(117.1)	(1,805.6)
Net investment income	17.3	227.1
Other income/(expense) *	5.1	465.2
Net realized and unrealized capital gains/(losses)	<u>(12.6)</u>	<u>181.2</u>
Change in policyholders' surplus	<u>(107.3)</u>	<u>(932.1)</u>
Policyholders' surplus - end of period	<u><u>(\$3,615.6)</u></u>	<u><u>(\$3,615.6)</u></u>

* Other income/(expense) prior to 2008 included \$73.1 million relating to settlements with directors and officers and the parent company. Other income/(expense) prior to 2008 also included the elimination of other liabilities relating primarily to pre-rehabilitation expenses, loss based assessments and premium taxes, which are class (e) creditor claims and are unlikely to be paid or offset against any other assets of the Estate. See Note 15 on Exhibit D.

The special purpose statement of changes in policyholders' surplus of Reliance Insurance Company (in Liquidation) is prepared on a unique financial reporting basis, in that, the statement does not fully reflect the effect of the company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the accompanying statement of assets and liabilities. The statement does not include any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The special purpose statement of changes in policyholders' surplus is not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners.

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit C

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, AND CHANGES IN SHORT AND
INTERMEDIATE DURATION INVESTMENTS
FOR THE PERIOD JANUARY 1, 2008 TO MARCH 31, 2008 - UNAUDITED**

(In Millions)

<u>Cash Receipts:</u>	
Reinsurance collections	\$235.1
Premium collections	2.6
Claim recoveries	3.0
Investment income received	15.6
Other including realized gains and losses	<u>13.4</u>
Total Cash Receipts	<u>269.7</u>
<u>Cash Disbursements:</u>	
Asset Distribution	(52.1)
Loss and allocated loss adjustment expenses	(1.1)
Operating expenses	<u>(27.0)</u>
Total Cash Disbursements	<u>(80.2)</u>
Net change in short and intermediate duration investments from cash activity	<u>189.5</u>
<u>Non-cash items affecting short and intermediate term investments:</u>	
Change in value of investments managed by investment managers	<u>(19.7)</u>
Total Non-cash activity	<u>(19.7)</u>
Net change in short and intermediate duration investments	169.8
Beginning Balance - Short and intermediate duration investments	<u>1,328.5</u>
Ending Balance - Short and intermediate duration investments	<u><u>\$1,498.3</u></u>

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit D

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
NOTES TO THE FOLLOWING UNAUDITED STATEMENTS**

**SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES,
SPECIAL PURPOSE STATEMENT OF CHANGES
IN POLICYHOLDERS' SURPLUS, AND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN
SHORT AND INTERMEDIATE DURATION INVESTMENTS**

Note 1 – Basis of presentation

Reliance Insurance Company was placed into liquidation by order of the Commonwealth Court on October 3, 2001. The principal activities since the date of liquidation consist of the collection and marshalling of assets and determination of claims. The largest assets are reinsurance receivables and recoverables due for losses ceded under reinsurance agreements. All creditor claims submitted to Reliance Insurance Company (in Liquidation) ("Company") must be evaluated through the Proof of Claim ("POC") process to determine and assign the proper class priority and dollar value. The largest class of creditors are claims for losses under policies issued prior to liquidation. Ultimately, the net assets of the Company are expected to be distributed to creditors.

The Special Purpose Statements of Assets and Liabilities and Changes in Policyholders' Surplus (collectively, "Statements") of the Company are prepared on a unique financial reporting basis, in that, the Statements do not fully reflect the effect of the Company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the Special Purpose Statement of Assets and Liabilities. The Statements do not include an estimate of liquidation expenses or any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The Statements and the Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments are not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners. The statements include the Company and its domestic property and casualty insurance operations. Loss and loss adjustment expenses are presented gross of reinsurance.

The preparation of financial statements requires the use of estimates and assumptions that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Note 2 – Cash disbursements

Cash disbursements for which checks have been issued, but which are outstanding at the date of the Special Purpose Statements of Assets and Liabilities are not recorded as deductions to short and intermediate duration investments. Check disbursements are recorded as deductions to short and intermediate duration investments only when presented to the bank.

Note 3 – Short and intermediate duration investments

Short and intermediate duration investments consist primarily of short-term investments and marketable bonds and notes. Such investments are recorded at fair value using recognized national pricing services. However, no accrued but unpaid interest income is reported in the Special Purpose Statements of Assets and Liabilities related to such investments.

Note 4 – Investments held in segregated accounts

Investments held for secured creditors secure specific obligations of the Company relating primarily to losses on assumed reinsurance business. Investments held for secured creditors at March 31, 2008 and December 31, 2007, also include \$24.3 million and \$24.5 million, respectively, of funds collected on large deductible policies which are not Estate assets and will be administered and paid to the Guaranty Associations ("GAs") and others in accordance with 40 P.S. §221.23a.

Investments held for uncovered claimants (claimants whose class (b) losses are not covered by GAs) consist of funds received from the settlement of the large deductible reimbursement dispute with the GAs, plus accrued interest.

Note 5 – Real estate investments

Real estate investments include direct ownership of real estate which is reported at net realizable value.

Note 6 – Investments in affiliates

Investments in affiliates include the net assets of the Company's non-insurance subsidiaries, foreign insurance subsidiaries and Canadian branch, which is under liquidation proceedings in Canada. The carrying value of certain of these investments has been adjusted to reflect an estimate of net realizable value. Market values are not available for these entities; therefore proceeds from the ultimate disposition of these entities may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 7 – Premium balances

Premium balances include accrued retrospective premiums of \$49 million at both March 31, 2008 and December 31, 2007. Accrued retrospective premiums are based upon actuarial loss estimates and will be adjusted based on changes in loss estimates. Premiums on retrospective rated policies will be billed and collected on an ongoing basis. Premium balances also include billings related to large deductible policies of \$19.2 million and \$18.7 million at March 31, 2008 and December 31, 2007, respectively.

Other premium balances include estimates and may not reflect all transactions processed by agents, insureds and program managers. Certain balances may only be collectible through legal proceedings. Due to these uncertainties, balances ultimately collectible may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 8 – Reinsurance recoverable and Losses and loss adjustment expenses - direct and assumed

Loss and loss adjustment expenses include individual case estimates for claims that have been reported and estimates for claims that have been incurred but not reported, as well as estimates of allocated loss expenses associated with settling reported and unreported claims. Loss reserves do not include a complete estimate for the costs of adjusting claims and have not been discounted to present value. Loss reserves are net of anticipated salvage and subrogation and second injury fund recoveries.

The estimate of loss and loss adjustment expenses at March 31, 2008 and December 31, 2007 were calculated using data as of December 31, 2005. The Company engaged PricewaterhouseCoopers LLP to perform an analysis of loss and allocated loss expense reserves on direct business and to review an analysis of loss and allocated loss expense reserves on assumed business prepared by the Company's actuaries. Estimates were based on GA claim data, POC and Notice of Determination ("NOD") data, pre-liquidation historical data and industry data modified for current trends as well as prevailing economic, legal and social conditions. These analyses resulted in an increase in loss and allocated loss expenses on direct and assumed business of \$768 million and \$75 million, respectively. The selected best estimate, reflected in the Special Purpose Statements of Assets and Liabilities, represents one possible value in a range of acceptable estimates. Estimates of ultimate loss and allocated loss adjustment expenses have not been updated to reflect any loss experience subsequent to December 31, 2005.

There are numerous factors that contribute to the inherent uncertainty in the process of establishing loss reserves. Among these factors are changes in the inflation rate related to covered damages such as medical care; changes in judicial interpretation of policy provisions; changes in the general attitude of juries in the determination of liability and damages; legislative changes; changes in the medical condition of claimants; and changes in the estimates of the number and/or severity of claims that have been incurred but not reported. In addition, the Company's regulatory status increases the variability of loss reserves due to its effect on data quality and credibility. The Company has received a large number of contingent claims and only limited information on many claims not being handled by GAs. As a result, a significant proportion of the loss and allocated loss adjustment expense reserves are for incurred but not reported losses and future development on reported claims. The ultimate liability to claimants will be based solely on POCs filed by claimants and the Liquidator's determination of their value. Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the Company's regulatory status, the actual emergence of losses may be significantly different than the amounts reflected

in the March 31, 2008 and December 31, 2007 Special Purpose Statements of Assets and Liabilities.

Reinsurance recoverable on unpaid losses represents an estimate of the portion of gross loss reserves that will be recovered from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the gross losses associated with the reinsured policies. The actuarial analysis of loss and loss adjustment expenses as of December 31, 2005 created a corresponding increase of \$319 million in reinsurance recoverables. A provision for estimated uncollectible reinsurance is recorded based on an evaluation of balances due from reinsurers, changes in the credit standing of the reinsurers, existing coverage disputes as well as an estimate of future disputes with reinsurers and permitted offsets of assumed reinsurance. In light of the inherent uncertainties relating to future insolvencies, settlement compromises and dispute resolutions, the actual uncollectible amounts and offsets may be significantly different than the reserve included in the Special Purpose Statement of Assets and Liabilities.

Note 9 – Early access advances to GAs

In 2003, the Commonwealth Court approved a petition in accordance with the Pennsylvania Insurance Statutes which provided a mechanism for early distribution of assets to various state GAs to assist the GAs in fulfilling their obligation to pay certain policy claims of the Company. The related agreements executed by the GAs provide that they agree to return assets under certain circumstances to ensure pro-rata distributions amongst members of the same class of creditors. Payments made to various state GAs under the early access provisions are recorded as assets in the Special Purpose Statements of Assets and Liabilities as they represent payments made in advance of distributions to other claimants. GA advances will be reclassified when final distributions to creditors are paid by the Company. At March 31, 2008 total early access amounts include early access cash payments to the GAs of \$1.27 billion, statutory deposits of \$421 million, and payments made by the Company on behalf of certain GAs shortly after October 3, 2001.

Note 10 – Losses and loss adjustment expenses - paid by GAs

Losses and loss adjustment expenses paid by GAs include payments reported by GAs and processed in the Company's operating systems.

Note 11 – Notices of Determination issued for class (b) creditors

NODs are issued by the Company in response to a POC filed against the Estate. The NOD includes the classification and value, if any, of the claim as determined by the Estate. NODs issued by the Company are subject to an objection period, during which the claimant can disagree with the value and classification assigned, and NODs are subject to Court approval. NODs for class (b) creditors are included in the Special Purpose Statements of Assets and Liabilities after objections have been resolved or the objection period has expired and after Court approval has been received.

Note 12 – Asset distributions to class (b) creditors

On January 17, 2008, the Court approved the Liquidator's Petition for First Interim Distribution, allowing a 20% distribution to all class 9b) claimants whose NOD has been approved by the Court. Distribution amounts for claims under Aggregate Policies were subject to an adjustment calculated pursuant to the Order issued by the Court on November 19, 2007, approving the Liquidator's Petition to Address Claims Under Aggregate Policies. At March 31, 2008, distributions totaling \$58 million had been issued. Distribution payments will continue to be issued on a quarterly basis to claimants whose NOD is subsequently approved by the Court..

Note 13 – Net outstanding Notices of Determination issued for class (b) creditors

The amount is calculated by subtracting the cash distributions to class (b) creditors of \$58 million from the Notices of Determination issued for class (b) creditors of \$431 million.

Note 14 – Funds held

Funds held represent liabilities arising from cash received as collateral on large deductible policies and reinsurance contracts. Funds held liabilities relating to collateral are expected to continue to decrease as policyholders and reinsurers honor their obligations under policies and contracts and the related cash collateral is released. Cash collateral related to large deductible policies is included in "Other assets" in the Special Purpose Statements of Assets and Liabilities.

Note 15 – Other liabilities

Other liabilities consist primarily of pre-rehabilitation liabilities. As a result of the liquidation, the ultimate pre-rehabilitation liability will be based solely on the POCs filed by claimants. Generally, POCs for creditors below class (b) are not being valued by the Company and the NODs address only the class of the claim. These claimants are being advised that a value will be determined only if the Company believes that sufficient funds will be available for distributions to creditors below class (b). Accordingly, other liabilities relating primarily to pre-rehabilitation expenses, loss based assessments and premium taxes which are unlikely to be paid or offset against any other assets of the Estate, are not reflected in the Special Purpose Statement of Assets and Liabilities. The ultimate amount of other liabilities may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 16 – Commitments

The Company leases office space and equipment under operating leases primarily expiring in 2009 and 2011. The minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year are \$5.5 million.

Note 17 – Litigation

The Company is a party to litigation both as a plaintiff and as a defendant. The ultimate effect of litigation on the financial condition of the Company is uncertain and cannot be reasonably estimated, but may be material.

Note 18 – Other collateral held

The Company holds significant levels of other collateral from policyholders and reinsurers in the form of letters of credit and surety bonds. This collateral is not included in the Special Purpose Statement of Assets and Liabilities and will be utilized when payment and other obligations under policies and contracts are not honored by the policyholders or reinsurers.

Exhibit E

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
REINSURANCE RECEIVABLE
MARCH 31, 2008 - UNAUDITED**

REINSURANCE COMPANY NAME

OFFSHORE MARINE INDEMNITY	\$9,982,415
FOLKSAM INTERNATIONAL INS CO	8,336,208
ZURICH SPECIALTIES LONDON LTD.	8,216,612
CONTINENTAL CASUALTY COMPANY	7,991,332
MONUMENTAL LIFE INS. CO.	6,983,615
MUNICH REINS AMERICA, INC.	6,947,937
REPUBLIC WESTERN INS CO.	6,837,482
CLARENDON NATIONAL INS. CO.	6,643,297
PHOENIX LIFE INS CO.	6,542,268
LLOYDS SYND. 435	4,984,549
LLOYDS SYND. 79/1215	4,777,367
LLOYDS SYND. 340	4,735,371
GEN RE LIFE CORPORATION	4,371,053
FOLKSAMERICA REINSURANCE CO.	4,274,062
LLOYDS SYND. 53	4,248,338
SWISS RE FRANKONA RUCKVERSICH-	4,229,284
EMPLOYERS REINSURANCE CORP***	4,071,136
SWISS REINSURANCE AMERICA CORP	3,928,208
LLOYDS SYND. 1212	3,547,443
CAL-SOUTHAMPTON REINSURANCE	3,227,753
CORE REINSURANCE CO,LTD.	3,140,566
MUNCHENER RUCKVERSICHERUNGS-GE	3,073,167
GORDIAN RUN-OFF LTD.	2,889,384
UNDERWRITERS AT LLOYDS-AUTH	2,557,166
LLOYDS SYND. 1007	2,526,095
HIH CASUALTY & GENERAL INC	2,487,400
CONVERIUM REINSURANCE, NA INC.	2,467,951
HANNOVER RUCKVERSICHERUNGS AG.	2,456,129
CONN. GENERAL LIFE INS. CO.	2,455,422
LLOYDS SYND. 2020	2,367,147
LLOYDS SYND. 219	2,260,938
LLOYDS SYND. 205	2,198,965
ACE EUROPEAN GROUP LTD.	2,126,111
MARKEL INTERNATIONAL INS CO LTD	2,109,091
GERLING GLOBAL RE CORP.	1,982,909
GENERAL SECURITY NATIONAL INS.	1,964,010
SCOR REINSURANCE COMPANY	1,836,352
LLOYDS SYND. 376/1207	1,698,603
TRENWICK AMERICA REINSURANCE	1,690,706
GE REINSURANCE CORPORATION	1,662,138
HARTFORD FIRE INSURANCE CO.	1,627,446
LLOYDS SYND. 566	1,617,595
CROWN LIFE INSURANCE COMPANY	1,523,231
PAN-AMERICAN LIFE INSURANCE CO	1,487,871
SWISS RE LIFE & HEALTH AMERICA	1,401,499
AXA REASSURANCE	1,397,075
LLOYDS SYND. 1141	1,373,687

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
REINSURANCE RECEIVABLE
MARCH 31, 2008 - UNAUDITED**

REINSURANCE COMPANY NAME

LLOYDS SYND. 314	1,361,315	
EVEREST REINSURANCE COMPANY	1,319,475	
UNUM LIFE INSURANCE CO	1,312,258	
ODYSSEY REINSURANCE CORP.	1,301,142	
LINCOLN NAT. LIFE INS CO	1,290,495	
PMA CAPITAL INSURANCE CO.	1,275,731	
NDA INSURANCE COMPANY, LTD	1,264,424	
FREMONT INDEMNITY CO.	1,231,969	
MINSTER INSURANCE CO. LTD.	1,215,529	
COTERIE INSURANCE, LTD.	1,173,931	
LLOYDS SYND. 183	1,101,185	
CSC ASSURANCE LTD	1,065,228	
CORNHILL INSURANCE PLC	1,052,282	
LUMBERMENS MUTUAL CASUALTY	1,046,929	
LLOYDS SYND. 529	1,023,894	
LLOYDS SYND. 1003	<u>1,006,045</u>	
TOTAL RECEIVABLES OVER ONE MILLION DOLLARS	190,296,213	78%
TOTAL RECEIVABLES UNDER ONE MILLION DOLLARS	<u>53,767,202</u>	<u>22%</u>
TOTAL REINSURANCE RECEIVABLE	<u><u>244,063,415</u></u>	<u><u>100%</u></u>

Exhibit F

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
OPERATING EXPENSE ANALYSIS - UNAUDITED

	Year to Date March 2008		Actual to Budget Variance	%	Change	Year to Date March 2007		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
Salaries										
Regular Salaries	\$7,309,461	\$7,331,884	(\$22,423)	-0.31%		\$7,795,834	(\$486,373)		-6.24%	
Performance-Retention Incentives	6,644,946	6,655,007	(10,061)	-0.15%		7,068,189	(423,243)		-5.99%	
Severance	426,845	416,208	10,637	2.56%		307,649	119,196		38.74%	
Total Salaries	14,381,252	14,403,099	(21,847)	-0.15%		15,171,672	(790,420)		-5.21%	
Employee Benefits										
Health and Disability Benefits	575,601	570,125	5,476	0.96%		621,205	(45,604)		-7.34%	
SIP-Contributions and Fees	2,104,556	2,161,500	(56,944)	-2.63%		2,137,903	(33,347)		-1.56%	
Other Benefits	10,071	15,416	(5,345)	-34.67%		18,567	(8,496)		-45.76%	
Total Employee Benefits	2,690,228	2,747,041	(56,813)	-2.07%		2,777,675	(87,447)		-3.15%	
Payroll Taxes	1,177,259	1,239,343	(62,084)	-5.01%		1,248,113	(70,854)		-5.68%	
Total Salaries, Benefits and Taxes	18,248,739	18,389,483	(140,744)	-0.77%		19,197,460	(948,721)		-4.94%	
IT Services	2,060,863	2,243,652	(182,789)	-8.15%		2,661,877	(601,014)		-22.58%	
Legal Fees	636,097	1,212,500	(576,403)	-47.54%		1,251,354	(615,257)		-49.17%	
Professional and Other Services	1,772,667	2,112,156	(339,489)	-16.07%		1,696,976	75,691		4.46%	
Rent										
Corporate Home Office	615,621	639,219	(23,598)	-3.69%		654,010	(38,389)		-5.87%	
Record Archiving Services	186,216	217,500	(31,284)	-14.38%		171,295	14,921		8.71%	
Other Rent Items	17,892	116,495	(98,603)	-84.64%		8,715	9,177		105.30%	
Total Rent	819,729	973,214	(153,485)	-15.77%		834,020	(14,291)		-1.71%	
Equipment										
Computer Equipment	7,177	52,900	(45,723)	-86.43%		51,732	(44,555)		-86.13%	
Office Machine Rent & Repair	8,314	6,659	1,655	24.85%		6,685	1,629		24.37%	
Data Processing Software	116,662	127,126	(10,464)	-8.23%		130,772	(14,110)		-10.79%	
Total Equipment	132,153	186,685	(54,532)	-29.21%		189,189	(57,036)		-30.15%	

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

RELiance INSURANCE COMPANY (IN LIQUIDATION)
 OPERATING EXPENSE ANALYSIS - UNAUDITED

	Year to Date March 2008		Actual to Budget Variance	% Change	Year to Date March 2007		Variance to Prior Year	% Change
	Actual	Budget			Actual			
Salaries								
Regular Salaries	\$7,309,461	\$7,331,884	(\$22,423)	-0.31%	\$7,795,834	(\$486,373)	-6.24%	
Other Operating								
Travel	48,734	97,540	(48,806)	-50.04%	50,310	(1,576)	-3.13%	
Professional Dues & Conferences	11,714	15,941	(4,227)	-26.52%	11,077	637	5.75%	
Insurance	169,105	185,500	(16,395)	-8.84%	166,930	2,175	1.30%	
Voice and Data Communication	58,915	71,690	(12,775)	-17.82%	47,108	11,807	25.06%	
Supplies and Subscriptions	45,564	53,607	(8,043)	-15.00%	55,410	(9,846)	-17.77%	
Postage, Freight & Express	65,289	82,150	(16,861)	-20.52%	11,010	54,279	493.00%	
Bank Charges	26,742	28,999	(2,257)	-7.78%	23,605	3,137	13.29%	
Real Estate	755	25,000	(24,245)	-96.98%	10,933	(10,178)	-93.09%	
Taxes, BBA and Other	9,817	11,000	(1,183)	-10.75%	12,856	(3,039)	-23.64%	
Total Other Operating	436,635	571,427	(134,792)	-23.59%	389,239	47,396	12.18%	
Subtotal	24,106,883	25,689,117	(1,582,234)	-6.16%	26,220,115	(2,113,232)	-8.06%	
Guaranty Association Expenses	2,927,333	2,701,953	225,380	8.34%	0	2,927,333	0.00%	
Total Operating Expenses	\$27,034,216	\$28,391,070	(\$1,356,854)	-4.78%	\$26,220,115	\$814,101	3.10%	

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit G

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
LEGAL FEES AND EXPENSES
FOR THE PERIOD JANUARY 1, 2008 TO MARCH 31, 2008 - UNAUDITED**

VENDOR NAME

ADORNO & YOSS, LLP.	\$	26,302
AVALON CONSULTING, LLC.		13,367
BLANK ROME LLP		26,710
BRAVERMAN KASKEY		18,228
DEUTSCH, KERRIGAN & STILES LLP		23,481
DOCUMENT TECHNOLOGIES, LLC.		12,591
EDWARD S. FINKLESTEIN		10,695
ESQUIRE DEPOSITION SERVICES, LLC.		8,894
FOX, ROTHSCHILD LLP		142,284
FULBRIGHT & JAWORSKI, LLP.		6,315
G ALAN BAILEY ESQUIRE		8,094
GOLKOW TECHNOLOGIES INC		33,830
MARKS ADR LLC		29,620
OBERMAYER REBMANN MAXWELL & HIPPLE, LLP.		19,085
PEPPER HAMILTON LLP.		19,003
RIKER DANZIG SCHERER HYLAND & PERRETTI LLP		6,811
STRADLEY, RONON, STEVENS, & YOUNG LLP		148,442
WOLF BLOCK SCHORR & SOLIS-COHEN LLP.		51,512
TOTAL VENDORS UNDER \$5,000		<u>30,836</u>
TOTAL LEGAL FEES AND EXPENSES	\$	<u>636,097</u>

Exhibit H

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
PROFESSIONAL SERVICE EXPENSES
FOR THE PERIOD JANUARY 1, 2008 TO MARCH 31, 2008 - UNAUDITED**

VENDOR NAME

ABERDEEN ASSET MANAGEMENT INC.	\$	168,904
BMS INTERMEDIARIES, LTD.		399,745
CALLAN ASSOCIATES INC.		23,200
CERIDIAN EMPLOYER SERVICES		19,435
DEBRA KELLER WRIGHT		6,000
DIRECT CONSULTING		80,026
DORANNE BIGELOW & ASSOCIATES, INC.		20,839
FILEX DOCUMENT IMAGING SERVICES, INC.		65,633
JP MORGAN CHASE BANK		5,012
MARY PAT COTTY		8,791
MARYELLEN R. DURNING		11,075
MELLON GLOBAL SECURITIES SERVICES		99,849
PA. DEP'T. - LIQUIDATION CONSULTANTS		95,179
PA. DEP'T. - OFFICE OF LIQUIDATIONS		70,562
PHILIP SHERMAN		5,200
PRICEWATERHOUSE COOPERS, LLP.		14,936
PYRIMAS GLOBAL ADVISORS TRUST COMPANY		196,269
REINSURANCE SOLUTIONS INTERNATIONAL, L.L.C.		45,256
ROY MELANDER		37,300
SPECIALTY RISK SERVICES LLC		46,375
STANDISH MELLON ASSET MANAGEMENT, LLC.		39,712
SUSAN ALTSCHULER		17,837
WESTERN ASSET MANAGEMENT COMPANY		176,501
WORLDWIDE CLAIMS MANAGEMENT SERVICES, INC.		111,464
TOTAL OTHER VENDORS UNDER \$5,000		<u>7,569</u>
TOTAL PROFESSIONAL SERVICE EXPENSES	\$	<u>1,772,667</u>

Exhibit I

Guaranty Association Data as of 03-31-08

STATE	LOCATION	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	P&C	\$40,765,661.21	\$59,684,510.41	\$4,270,841.14	\$104,721,012.76
ALASKA	P&C	\$8,260,850.07	\$4,160,147.37	\$668,761.61	\$13,089,759.05
ARIZONA	P&C	\$6,190,994.12	\$278,145.48	\$1,422,239.70	\$7,891,379.30
ARIZONA	WC	\$6,140,637.51	\$14,066,391.28	\$0.00	\$20,207,028.79
ARKANSAS	P&C	\$6,642,826.31	\$1,296,712.68	\$0.00	\$7,939,538.99
CALIFORNIA	P&C	\$586,246,667.17	\$175,718,147.39	\$48,573,738.54	\$810,538,553.10
COLORADO	P&C	\$19,265,093.32	\$32,801,426.02	\$1,324,639.15	\$53,391,158.49
CONNECTICUT	P&C	\$45,374,726.78	\$17,506,635.88	\$4,129,768.97	\$67,011,131.63
DELAWARE	P&C	\$5,338,705.99	\$2,656,074.12	\$769,089.68	\$8,763,869.79
DISTRICT OF COLUMBIA	P&C	\$9,581,538.70	\$10,628,654.51	\$473,146.61	\$20,683,339.82
FLORIDA	P&C	\$81,991,980.93	\$2,773,857.77	\$4,193,836.02	\$88,959,674.72
FLORIDA	WC	\$210,155,381.01	\$91,707,700.40	\$6,789,395.90	\$308,652,477.31
GEORGIA	P&C	\$43,547,055.87	\$34,944,918.32	\$3,855,560.76	\$82,347,534.95
HAWAII	P&C	\$5,490,250.85	\$2,539,791.19	\$569,321.46	\$8,599,363.50
IDAHO	P&C	\$2,171,333.29	\$2,258,140.04	\$243,704.62	\$4,673,177.95
ILLINOIS	P&C	\$50,281,344.99	\$8,423,658.04	\$6,838,613.77	\$65,543,616.80
INDIANA	P&C	\$5,565,939.64	\$853,100.99	\$1,099,458.86	\$7,518,499.49
IOWA	P&C	\$10,395,391.51	\$996,965.97	\$781,021.46	\$12,173,378.94
KANSAS	P&C	\$14,425,911.14	\$6,075,555.09	\$841,849.09	\$21,343,315.32
KENTUCKY	P&C	\$19,271,338.50	\$21,258,877.00	\$1,026,727.85	\$41,556,943.35
LOUISIANA	P&C	\$60,763,974.18	\$516,643,842.08	\$1,751,055.46	\$579,158,871.72
MAINE	P&C	\$4,621,039.70	\$3,660,532.15	\$483,138.25	\$8,764,710.10
MARYLAND	P&C	\$25,815,615.62	\$10,183,946.63	\$4,774,399.32	\$40,773,961.57
MASSACHUSETTS	P&C	\$41,682,281.71	\$30,648,911.16	\$3,223,119.54	\$75,554,312.41
MICHIGAN	P&C	\$49,432,421.43	\$42,871,616.97	\$5,849,150.24	\$98,153,188.64
MINNESOTA	P&C	\$15,953,709.42	\$5,708,227.65	\$1,493,260.76	\$23,155,197.83
MISSISSIPPI	P&C	\$33,009,215.17	\$15,093,554.63	\$2,033,139.44	\$50,135,909.24
MISSOURI	P&C	\$31,810,147.53	\$7,783,075.78	\$1,727,229.78	\$41,320,453.09
MONTANA	P&C	\$3,550,724.85	\$1,195,943.43	\$364,065.38	\$5,110,733.66
NEBRASKA	P&C	\$5,888,967.92	\$7,142,718.10	\$135,806.08	\$13,167,492.10
NEVADA	P&C	\$6,446,407.39	\$1,722,543.56	\$717,361.71	\$8,886,312.66
NEW HAMPSHIRE	L&H	\$0.00	\$0.00	\$35,918.35	\$35,918.35
NEW HAMPSHIRE	P&C	\$11,903,711.85	\$12,712,218.11	\$1,047,007.01	\$25,662,936.97
NEW JERSEY	P&C	\$68,816,588.78	\$15,587,609.50	\$3,775,297.72	\$88,179,496.00
NEW JERSEY	WC	\$42,518,729.59	\$15,164,610.44	\$2,305,351.69	\$59,988,691.72
NEW MEXICO	P&C	\$5,818,883.29	\$2,812,641.79	\$606,620.78	\$9,238,145.86
NEW YORK	P&C	\$267,242,345.20	\$99,240,243.32	\$41,633,698.00	\$408,116,286.52
NEW YORK	WC	\$141,613,357.05	\$76,396,036.24	\$0.00	\$218,009,393.29
NOLHGA		\$0.00	\$0.00	\$6,516,295.00	\$6,516,295.00
NORTH CAROLINA	P&C	\$59,469,774.74	\$26,479,048.99	\$3,469,933.96	\$89,418,757.69
NORTH DAKOTA	P&C	\$251,262.99	\$0.00	\$63,171.52	\$314,434.51
OHIO	P&C	\$9,282,901.79	\$481,147.00	\$1,559,743.90	\$11,323,792.69
OKLAHOMA	P&C	\$17,459,361.32	\$6,352,667.96	\$1,303,454.14	\$25,115,483.42
OREGON	P&C	\$22,244,726.18	\$7,559,790.01	\$764,019.89	\$30,568,536.08
PENNSYLVANIA	P&C	\$37,794,188.34	\$37,245,201.28	\$1,660,130.50	\$76,699,520.12
PENNSYLVANIA	WC	\$126,599,662.16	\$65,982,446.75	\$9,744,906.88	\$202,327,015.79
PUERTO RICO	P&C	\$8,222,213.60	\$1,311,000.00	\$177,049.01	\$9,710,262.61
RHODE ISLAND	P&C	\$9,038,866.90	\$3,379,608.93	\$657,120.07	\$13,075,595.90
SOUTH CAROLINA	P&C	\$30,717,594.78	\$8,231,488.45	\$1,701,004.88	\$40,650,088.11
SOUTH DAKOTA	P&C	\$1,779,811.28	\$261.34	\$138,216.39	\$1,918,289.01
TENNESSEE	P&C	\$32,639,459.25	\$29,195,645.65	\$3,673,304.12	\$65,508,409.02
TEXAS	P&C	\$124,194,065.09	\$80,737,430.62	\$14,465,014.44	\$219,396,510.15
UTAH	P&C	\$7,106,554.96	\$8,588,482.69	\$985,843.23	\$16,680,880.88
VERMONT	P&C	\$6,290,109.39	\$8,107,906.61	\$359,807.88	\$14,757,823.88
VIRGIN ISLANDS	P&C	\$414,355.00	\$4,849,901.00	\$0.00	\$5,264,256.00
VIRGINIA	P&C	\$32,889,017.96	\$20,503,319.97	\$2,173,185.32	\$55,565,523.25
WASHINGTON	P&C	\$30,411,389.66	\$2,932,080.36	\$2,517,895.46	\$35,861,365.48
WEST VIRGINIA	P&C	\$3,578,889.20	\$0.00	\$333,495.06	\$3,912,384.26
WISCONSIN	P&C	\$10,733,628.29	\$4,313,200.52	\$1,369,335.38	\$16,416,164.19
WYOMING	P&C	\$487,998.22	\$7,616.97	\$129,126.62	\$624,741.81
		\$2,565,597,581	\$1,671,455,927	\$213,589,388	\$4,450,642,896

**New York WC and NY P&C Administrative Expense are combined and reported under NY P&C

Exhibit J

Proof Of Claim Statistics - Inception To Date March 31, 2008

CLASS DESCRIPTION	TOTAL POCs RECEIVED	POCs RECEIVED AFTER 12-31-03	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	4,074	387	3,302	\$0.00	2,816	\$0.00
B - POLICY HOLDER CLAIMS	65,841	2,880	44,824	\$545,251,711.60	27,790	\$431,406,378.03
C - FEDERAL GOVT	9	0	9	\$0.00	9	\$0.00
D - EMPLOYEES	0	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	65,269	3,138	61,564	\$42,714,891.07	56,951	\$35,699,223.89
F - STATE/LOCAL GOVT	189	3	188	\$0.00	188	\$0.00
G - LATE FILED/SUBROGATION	24,193	3,659	21,860	\$6,860,724.73	1,783	\$4,064,721.56
H - SURPLUS, PREM REFUNDS	0	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	3	0	3	\$0.00	3	\$0.00
TOTAL:	159,578	10,067	131,750	\$594,827,327.40	89,540	\$471,170,323.48

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	6,691
Contingent Unliquidated POCs	11,675
Ready to Evaluate	1,217
Awaiting Information	8,245
TOTAL:	27,828

Exhibit K

Proof Of Claim Statistics - Quarter To Date March 31, 2008

CLASS DESCRIPTION	TOTAL POCs RECEIVED	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	8	273	\$0.00	226	\$0.00
B - POLICY HOLDER CLAIMS	63	6,992	\$44,207,832.27	4,205	\$34,599,732.11
C - FEDERAL GOVT	0	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	18	873	\$2,548,981.69	1,992	\$2,346,170.82
F - STATE/LOCAL GOVT	0	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	129	19,734	\$3,670.70	270	\$407,573.21
H - SURPLUS, PREM REFUNDS	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	0	\$0.00	0	\$0.00
TOTAL:	218	27,872	\$46,760,484.66	6,693	\$37,353,476.14

Exhibit L

Status of POCs as of 03-31-08
Total: 159,578

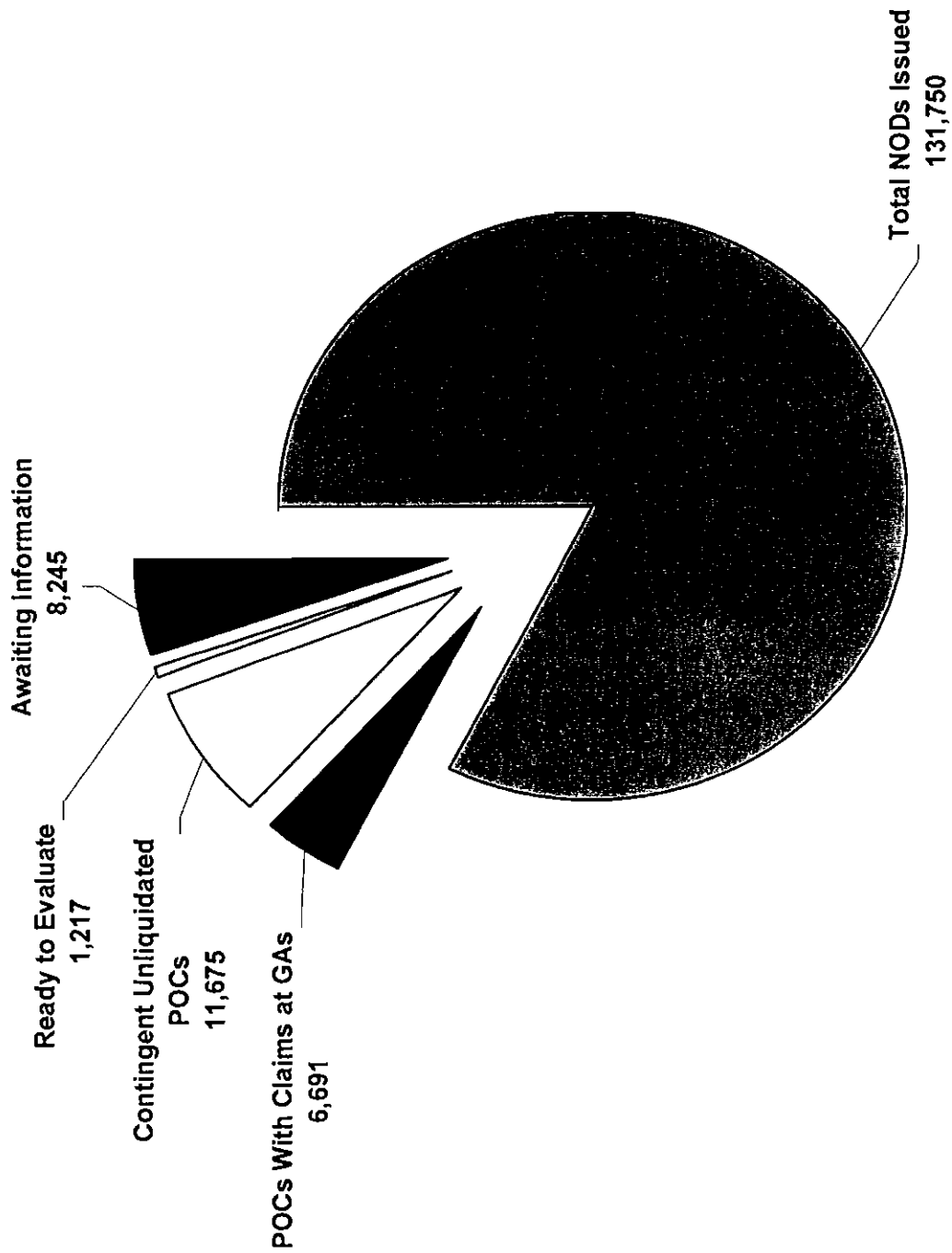


Exhibit M

Objection Statistics - Inception To Date March 31, 2008

CLASS DESCRIPTION	NUMBER OF NOD OBJECTIONS RECEIVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS	NUMBER OF OBJECTIONS RESOLVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS RESOLVED
NO CLASS ASSIGNED	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	140	\$0.00	140	\$0.00
B - POLICY HOLDER CLAIMS	212	\$25,274,148.00	195	\$24,279,148.00
C - FEDERAL GOVT	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	570	\$4,753,990.21	516	\$2,953,990.21
F - STATE/LOCAL GOVT	1	\$0.00	1	\$0.00
G - LATE FILED/SUBROGATION	23	\$736,353.50	19	\$736,353.50
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00
TOTAL:	946	\$30,764,491.71	871	\$27,969,491.71

CLASS DESCRIPTION	NUMBER OF OBJECTIONS UNRESOLVED	LIQUIDATOR ALLOWED AMOUNTS ON UNRESOLVED OBJECTIONS	NUMBER OF OBJECTIONS UNRESOLVED ASSIGNED TO REFEREES	LIQUIDATOR ALLOWED AMOUNTS ON UNRESOLVED ASSIGNED TO REFEREES	NUMBER OF OBJECTIONS UNRESOLVED NOT ASSIGNED TO REFEREES	LIQUIDATOR ALLOWED AMOUNTS ON UNRESOLVED NOT ASSIGNED TO REFEREES
NO CLASS ASSIGNED	0	\$0.00	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	0	\$0.00	0	\$0.00	0	\$0.00
B - POLICY HOLDER CLAIMS	17	\$995,000.00	17	\$995,000.00	0	\$0.00
C - FEDERAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	54	\$1,800,000.00	53	\$1,800,000.00	1	\$0.00
F - STATE/LOCAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	4	\$0.00	2	\$0.00	2	\$0.00
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00	0	\$0.00
TOTAL:	75	\$2,795,000.00	72	\$2,795,000.00	3	\$0.00

Exhibit N

Status of NOD Objections Received Through 03-31-08
Total: 946

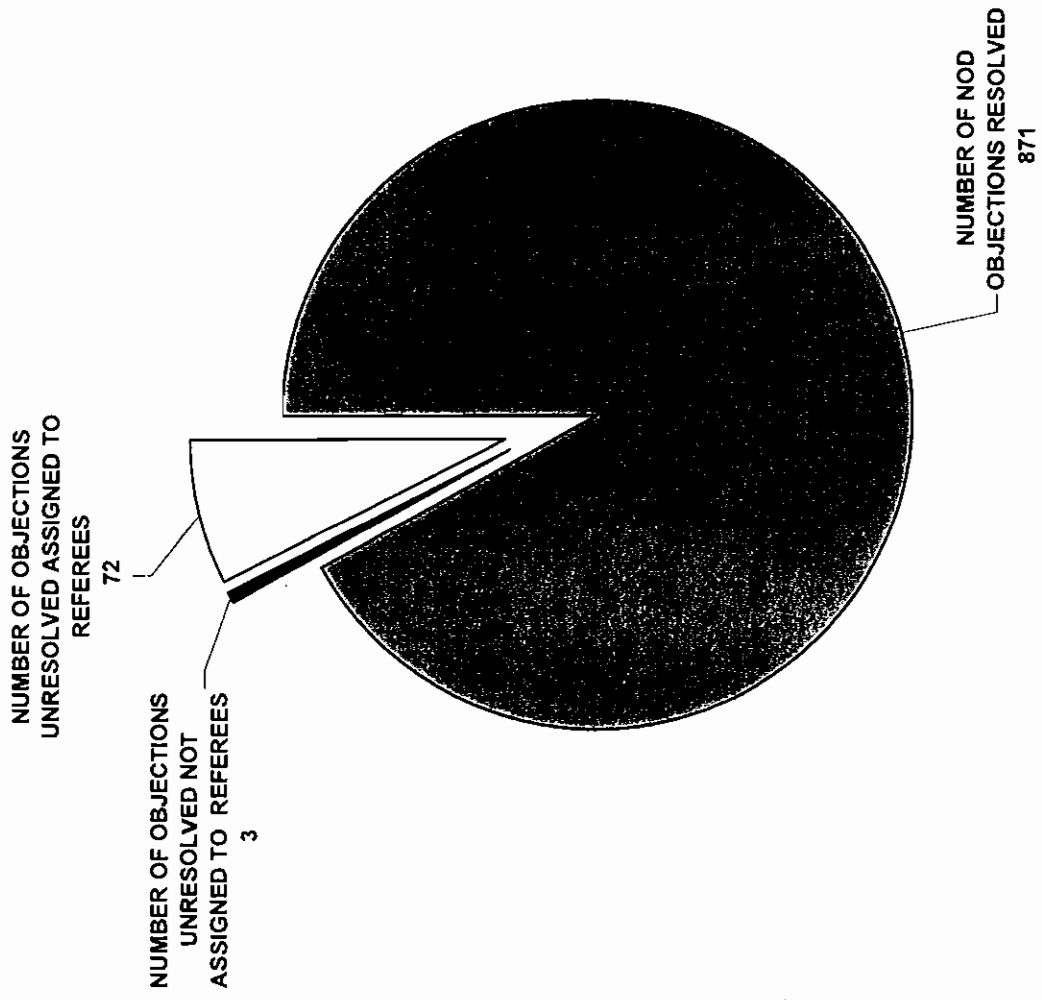
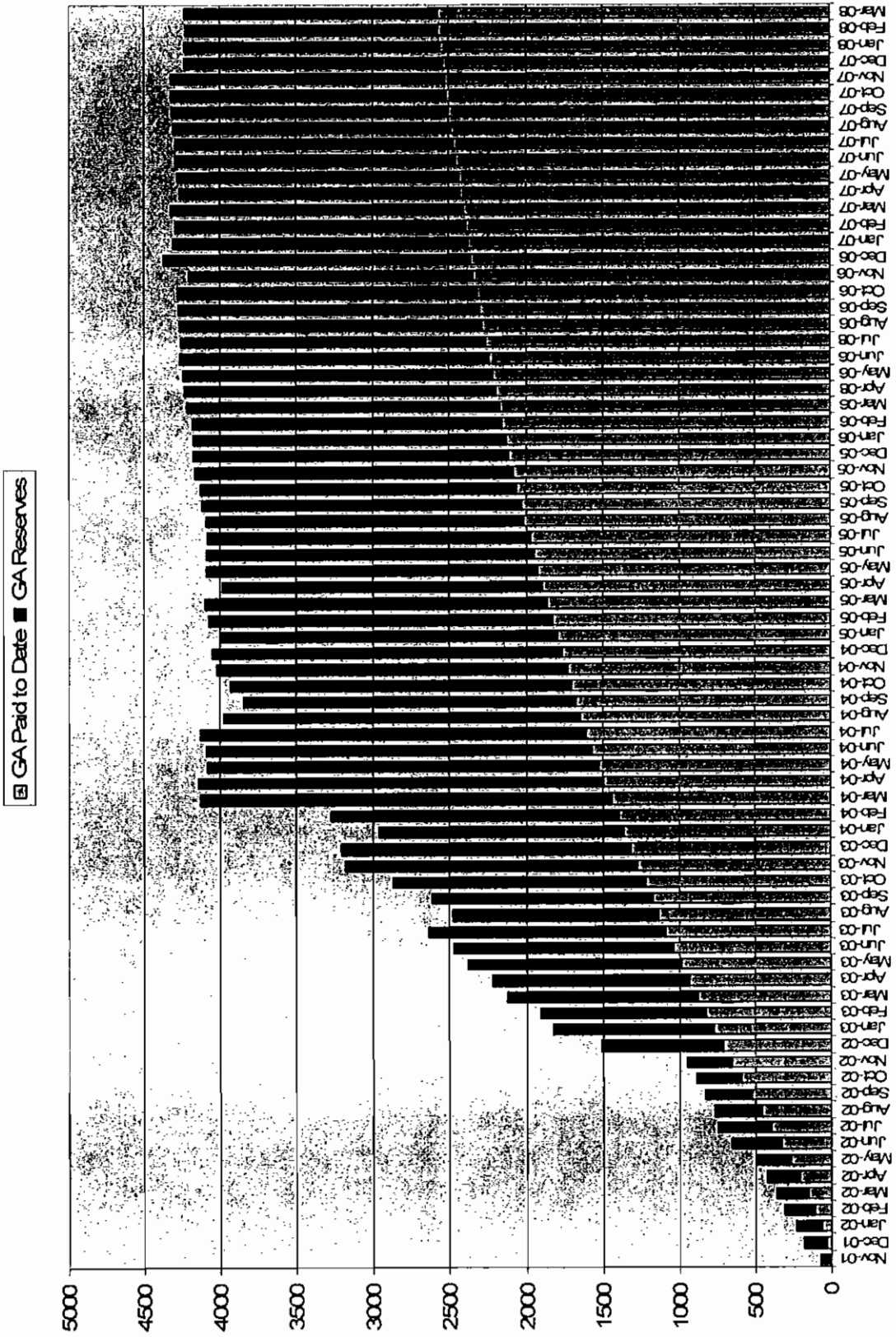


Exhibit O

Cumulative GA Activity Reported Through March 31, 2008
in millions



CERTIFICATE OF SERVICE

I, Sheila E. Branyan, hereby certify that on or about this day, pursuant to the Court's Order of April 1, 2004, service of the foregoing Quarterly Report of the Liquidator on the Status of the Liquidation of Reliance Insurance Company as of March 31, 2008 was made on the attached Master Service List and Claim Objector List through the transmission of a Notice of Filing and through posting of a true and correct copy in PDF file format on the Reliance Documents website (www.reliancedocuments.com).

Dated: June 26, 2008


SHEILA E. BRANYAN

Master Service List

Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania

v.

Reliance Insurance Company

No. 269 M.D. 2001 (Commonwealth Court of Pennsylvania)

Jerome R. Richter
Ann B. Laupheimer
Blank Rome LLP
One Logan Square
Philadelphia, PA 19103
(215) 569-5500
(Attorneys for M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania)

Amy L. Weber, Esquire
Deputy Chief Counsel
Preston M. Buckman, Esquire
Special Funds Counsel
Commonwealth of Pennsylvania
Insurance Department
Office of the Chief Counsel
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009
(Attorneys for the Pennsylvania
Insurance Department)

Marilyn K. Kincaid, Esquire
Reliance Insurance Company
(in Liquidation)
Three Parkway
Philadelphia, PA 19102
(215) 864-4205
(Attorney for Reliance Insurance
Company (in Liquidation))

Brian P. Flaherty, Esq.
Wolf, Block, Schorr & Solis-Cohen LLP
1650 Arch Street
22nd Floor
Philadelphia, PA 19103
Phone: (215) 977-2048
Fax: (215) 405-2948
(Attorneys for M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania)

Hillary C. Steinberg
James Michael Matour
Hangley Aronchick Segal & Pudlin, P.C.
One Logan Square
Philadelphia, PA 19103

(215) 568-6200
(Attorneys for Reliance Group
Holdings, Inc.)

Jeffrey B. Rotwitt
Obermayer Rebmann Maxwell & Hippel
1 Penn Center, 19th Floor
Philadelphia, PA 19103-1895
(215) 665-3000
(Attorneys for M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania)

William Charles Bensley
George Whittaker Howard
Edward M. Nass
Howard Brenner & Nass, P.C.
1608 Walnut Street, Suite 1700
Philadelphia, PA 19103
(215) 546-8200
(Attorneys for Francine and Ted Forman)

Brad S. Karp
Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, NY 10019
(212) 373-3000
(Attorneys for Reliance Group
Holdings, Inc.)

Robert H. Levin
Adelman Lavine Gold & Levin, P. C.
Four Penn Center, Suite 900
Philadelphia, PA 19103-2808
(215) 568-7515
(Attorneys for Committee of Policyholders)

Richard D. Batchelder, Jr.
Ropes & Gray
One International Place
Boston, MA 02110-2624
(617) 951-7000
(Attorneys for Miami Cruiseline
Holdings LLC)

Frank F. McGinn
Bartlett Hackett Feinberg, P.C.
155 Federal Street
9th Floor

Boston, MA 02110
(617) 422-0200
(Attorneys for Flatley Company)

Thomas J. Madigan
Pepper Hamilton LLP
One Mellon Center
500 Grant Street, 50th Floor
Pittsburgh, PA 15219-2502
(412) 454-5000
(Attorneys for O'Brien-Kreitzberg
& Associates, Inc.)

Douglas B. Proveneher
Proveneher & Flatt, LLP
823 Sonoma Avenue
Santa Rosa, CA 95404
(707) 284-2380
(Attorneys for Great Western Collection
Bureau)

Terence R. Savage
Employment Development Department
State of California
800 Capitol Mall, Legal Office
Sacramento, CA 95814
(916) 654-8410
(Attorneys for Employment Development
Department, State of California)

R. Nicholas Gimbel
McCarter & English, LLP
Mellon Bank Center
1735 Market Street
Suite 700
Philadelphia, PA 19103
Phone: (215) 979-3800
Fax: (215) 979-3899
(Attorneys for Brand Scaffold Services, Inc.,
Magellan Ins. Co. Ltd., and Sun Life Assurance
Company of Canada)

Anderson, Kill & Oliek P.C.
1600 Market Street, Suite 2500
Philadelphia, PA 19103
(215) 568-4202

-and-
Marvin L. Wilenzik
Elliott Reihner Siedzikowski & Egan, P.C.
925 Harvest Drive
P.O. Box 3010
Blue Bell, PA 19422
(215) 977-1050
(Attorneys for Synagro Technologies, Inc.)

Jeremy J.O. Harwood, Esquire

Blank Rome LLP
23rd Floor
405 Lexington Avenue
New York, NY 10174
(212-885-5149)

-and-
Joseph M. Donley, Esquire
William E. Cox, Esquire
Kittredge, Donley, Elson, Fullem & Embick
400 Market Street, Suite 200
Philadelphia, PA 19106
(215-829-9900)
(Attorneys for Steamship Mutual Underwriting
Association (Bermuda) Ltd.)

Thomas V. White, Esquire
Joseph P. Rusnak, Esquire
Tune, Entekin & White, P.C.
AmSouth Center, Suite 1700
315 Deaderick Street
Nashville, TN 37238
(615) 244-2770
(Attorneys for Home Builders Association of
Tennessee Self-Insured Trust)

Michele Smolin, Esquire
McDonald, Hopkins, Burke & Haber
600 Superior Avenue E
Cleveland, OH 44114-2653
(216) 348-5400
(Attorneys for United Church of Christ Insurance
Board)

Lisa Luborsky, Esquire
Britt, Hankins & Moughan
Two Penn Center Plaza, Suite 515
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102-1888
(215) 569-6918
(Attorneys for the Pennsylvania Property and
Casualty Insurance Guaranty Association)

Frederick P. Santarelli, Esquire
Elliott Greenleaf & Siedzikowski, P.C.
925 Harvest Drive
P.O. Box 3010
Blue Bell, PA 19422
(215) 977-1050
(Attorneys for Estate of Leo Frances Tenczynski)

Janice Marie Savinis, Esquire
Savinis, D'Amico & Kane, LLC
Suite 3626, Gulf Tower
707 Grant St.
Pittsburgh, PA 15219
(Attorney for Harold W. Thomas)

Francine L. Semaya, Esquire
Joseph James Bellew, Esquire
Cozen O'Connor
45 Broadway, 16th Floor
New York, NY 10006
(212-908-1270)
(Attorneys for Allied Holdings and Client Assurance Pool)

Richard F. McMenamin, Esquire
David L. Harbaugh, Esquire
Morgan, Lewis & Boekius LLP
1701 Market Street
Philadelphia, PA 19103-2921
(215-963-5596)
(Attorneys for Fuji Bank Limited and The Tribune Company)

Eric P. Wilenzik, Esquire
Elliott Reihner Siedzikowski & Egan, P.C.
925 Harvest Drive
Blue Bell, PA 19422
(215-977-1000)
(Attorneys for Brandywine Realty Trust)

Sarah H. Zinn, Esquire
Hogan & Hartson, LLP
555 13th Street, N.W.
Washington, D.C. 20004-1109
(202) 637-6459
(Attorneys for National Structured Settlements Trade Association, General Electric Capital Assurance Co., First Colony Life Ins. Co., Federal Home Life Ins. Co., and GE Life and Annuity Assurance Co.)

David W. Cranshaw, Esquire
Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, GA 30326
(404-233-7000)
(Attorneys for ChoicePoint and its division ChoicePoint Commercial Specialist)

P. Kevin Brobson, Esquire
Buchanan Ingersoll
One South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101
(717-237-4800)
(Attorneys for Magellan Reinsurance Company, Ltd. and RBH Reinsurance Ltd.)

Bruce R. Hoffman, Esquire
Law Office of Bruce R. Hoffman, LLC
574 Sea Island Parkway
Saint Helena Island, SC 29920-4205
(843-838-5290)
(Pro Se)

R. Jane Lynch, Esquire
Cox, Castle & Nicholson LLP
2049 Century Park East, Suite 2800
Los Angeles, CA 90067
(310-277-4222)
(310-277-7889) fax
(Attorneys for Lake at Las Vegas Joint Venture)

Kevin E. Wolff, Esquire
Robert J. Re, Esquire
McElroy, Deutsch & Mulvaney, LLP
1300 Mount Kemble Avenue
P.O. Box 2075
Morristown, NJ 07962-2075
(973-425-8717)
(Attorneys for Celanese Americas Corporation, Elwood Insurance Limited, and Celwood Insurance Company (f/k/a Hoechst Celanese Insurance Company, Ltd.)

Michael B. Dubin, Esquire
Semanoff, Ormsby, Greenberg & Torchia
Suite 200 Jenkins Court
610 Old York Road
Jenkintown, PA 19046
(215-887-0200)
(215-887-5356) fax
(Attorneys for Integrated Health Services, Inc.)

Deborah Fuchs Cohen, Esquire
Eric Jonathan Rothschild, Esquire
Pepper Hamilton LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103
(215) 981-4470
(Attorney for M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania)

Leonard P. Goldberger, Esquire
Amy Elizabeth Vulpio, Esquire
White and Williams LLP
1800 One Liberty Place
Philadelphia, PA 19103-7395
(215) 864-6376
(Attorneys for Insurance Company of North America)

Harold S. Horwisch, Esquire

Bingham McCutchen
One State Street
Hartford, CT 06103
(860) 240-2700
(Attorneys for St. Joseph's Medical Center)

Susan J. Guerrieri, Esquire
Stephen C. Baker, Esquire
John B. Dempsey, Esquire
Drinker Biddle & Reath LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996
(215) 988-2700
(Attorneys for Mawson & Mawson, Inc.)

Joseph F. Orso, III, Esquire
Casale & Bonner, P.C.
Suite 202
33 West Third Street
Williamsport, PA 17701
(570) 326-7044
(Attorneys for Richard Ruhl)

Arthur Makadon, Esquire
Geoffrey A. Kahn, Esquire
Ballard Spahr Andrews & Ingersoll, LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103
(215) 665-8500
(Attorneys for Deloitte & Touche LLP)

Douglas Y. Christian, Esquire
Ballard Spahr Andrews & Ingersoll
1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
(215) 864-8404
(Attorneys for American Longshore Mutual Association)

Lisa M. Salazar, Esquire
McCarter & English LLP
Mellon Bank Center, Suite 700
1735 Market Street
Philadelphia, PA 19103-7501
(215) 979-3800
(Attorneys for Robert M. Steinberg)

Robert E. Kelly, Jr., Esquire
Anthony W. Parker, Esquire
Kelly, Parker & Cohen LLP
Commerce Towers
10th Floor
300 North Second Street
Harrisburg, PA 17106-2003
717-920-2220
(Attorneys for Petitioner South Carolina School

Boards Insurance Trust)

Joseph M. Hennelly, Jr., Esquire
Hennelly & Steadman, PLC
Goldworthy House
322 West Roosevelt
Phoenix, AZ 85003
(602) 230-7000
(Attorneys for Mark D. Tharp as Arizona's Special Ancillary Receiver of Reliance)

Rowe W. Snider, Esquire
Steven T. Whitmer, Esquire
Julie L. Young, Esquire
Lord, Bissell & Brook
111 S. Wacker Drive
Chicago, Illinois 60606
(312) 443-0700
(Attorneys for NCIGF)

Paul G. Witko, Deputy Attorney General
State of New Jersey
Office of the Attorney General
Department of Law and Public Safety
Division of Law
Station Plaza #4, 2nd Floor
22 South Clinton Ave.
P.O. Box 117
Trenton, NJ 08625-0117
(609) 777-3512
(Attorney for New Jersey Workers Compensation Bureau)

Maleolm C. Lindquist, Esquire
Lane Powell Spears Lubersky
1420 Fifth Ave.
Suite 4100
Seattle, WA 98101
(206) 223-7101
(Attorney for Labor Ready, Inc.)

James W. Kutz, Esquire
Kimberly M. Colonna, Esquire
McNees Wallace & Nuriek, LLC
100 Pine St, P.O. Box 1166
Harrisburg, PA 17108-1166
(717) 232-8000
(Attorneys for Earth Teeh, Inc.)

Guy A. Cellucci, Esquire
White and Williams LLP
1800 One Liberty Place
Philadelphia, PA 19103-7395
(215) 864-7000
(Attorneys for Hartford Fire Insurance Co., Hartford Specialty Co., and the Hartford Financial Services Group, Inc.)

Brian T. Guthrie, Esquire
Daniel W. Krane, Esquire
Drinker Biddle & Reath LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996
(215) 988-2700
(Attorneys for Lexington Insurance Co.)

Edward G. Biester, Esquire
Duane Morris LLP
3030 South 17th Street
Philadelphia, PA 19103
(215) 979-1000
(Attorneys for Florida Workers' Compensation
Insurance Guaranty Association Incorp.)

Lawrence Licitra, Esquire
Julie Pollack, Esquire
Swiss Reinsurance America Corporation
175 King Street
Armonk, NY 10504
(914) 828-8000
(Attorneys for Swiss Reinsurance America Corp.)

Daryn E. Rush, Esquire
Gibbons PC
1700 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2769
215-446-6220
(Attorneys for Travelers Casualty and Surety Co.)

John C. Connell, Esq.
Jerrold S. Kulback, Esq.
Archer & Greiner, PC
One Centennial Square
Haddonfield, NJ 08033
(856) 795-2121
(Attorneys for New Mexico Mutual Casualty
Company and Southwest Casualty Company)

Kimberly A. LaMaina
Skadden, Arps, Slate, Meagher & Flom, LLP
One Rodney Square
Wilmington, DE 19801
(302) 651-3184
(Attorneys for Zenith Insurance Company)

Jeffrey B. Cohen
John Menck
Joseph Krettek
Pension Benefit Guaranty Corporation
Office of the General Counsel
1200 K Street, N.W.

Washington, D.C. 20005
(202) 326-4020
(Attorneys for Pension Benefit Guaranty
Corporation)

Francis Patrick Newell
Harkins Cunningham LLP
2800 One Commerce Square
2005 Market Street
Philadelphia, PA 19103
(215) 851-6700
(Attorney for Celanese and the Celanese Reinsurers)

Jeff Farkas
Laura Torrado
Bear Stearns Investment Products Inc.
383 Madison Avenue
New York, NY 10179
(212) 272-3330
(Non-Attorney Representative of Bear Stearns)

Michael Wunschuh
Dennis Comstock
VonWin Capital, L.P.
60 Madison Avenue, Suite 201
New York, NY 10011
(212) 889-1601
(Attorneys for VonWin Capital)

Dale Stohr
Angelo, Gordon & Co.
245 Park Avenue, 26th Floor
New York, NY 10167
(212) 692-2034

James W. Schacht
Navigant Consulting, Inc.
175 West Jackson Blvd., Suite 500
Chicago, IL 60604
(312) 583-5700

Michael J. Cawley
Wilson, Elser, Moskowitz, Eldermen & Dicker LLP
The Curtis Center
Suite 1130 East
Independence Square West
Philadelphia, PA 19106
(215) 627-6900
(Attorney for British Aviation Insurance Group Ltd.)

Laura L. McGrogry, Chief Counsel
Legal Division
Industrial Commission of Arizona
P.O. Box 19070
Phoenix, AZ 85005-9070
(Counsel for the Arizona Workers Compensation
Guaranty Association)

Arthur F. McNulty
Chief Counsel
Pennsylvania Insurance Department
Office of Chief Counsel
1341 Strawberry Square
Harrisburg, PA 17120
(717) 783-1975
(Counsel for M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania)

Jonathan Neiss
Contrarian Capital Management, LLC
411 West Putnam Avenue, Suite 225
Greenwich, CT 06830
(203) 862-8255

F. Warren Jacoby
Cozen O'Connor
1900 Market Street
Philadelphia, PA 19103
(215) 665-2154
(Attorney for Hudson News Co., Hudson News
Distributors, LLC, Magazine Distributors, Inc., and
MET News Liquidating Trust)

David L. Neale
Tania M. Moyron
Levene, Neale, Bender, Rankin & Brill LLP
10250 Constellation Blvd.
Suite 1700
Los Angeles, California 90067
(310) 229-1234

Douglas H. Deems
The Claro Group, LLC
777 S. Figueroa Street, Suite 4050
Los Angeles, CA 90017
(213) 784-0190

Timothy P. Law, Esq.
John Norig Ellison, Esq.
Reed Smith
2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103-7301
(215) 851-8100
(Counsel for Conoco, Inc. and Harlem River Park
Houses, Inc.)

Claim Objector Service List

Ario v. Reliance Insurance Company, No. 269 M.D. 2001 (Pa. Commw. Ct.)

ACUMEN RE MANAGEMENT CORP.
302 FELLOWSHIP RD STE 130
MOUNT LAUREL, NJ 08054

AGUILAR ERNESTINA
1111 18TH STREET
AMARILLO, TX 79105

APPLE COMPUTER, INC.
1 INFINITE LOOP
CUPERTINO, CA 95014-2083

BASKETBALL PROPERTIES
601 BISCAYNE BLVD
AMERICAN AIRLINES ARENA
MIAMI, FL 33132-1801

BUTLER FINANCIAL SOLUTIONS, LLC
JAMES F. MORGANTEEN, ESQ
2200 HIGHWAY 121, SUITE 100
BEDFORD, TX 76021-5983

CAMPBELL, MICHAEL K
7711 DESMOND STREET
N. CHARLESTON, SC 29418

CHS/ST. FRANCIS HOSPITAL
PATRICIA HAJNOSZ, ESQ. VICE
PRESIDENT LEGAL AFFAIRS
100 PORT WASHINGTON BLVD
ROSLYN, NY 11576-1348

COHEN, EYAL
331 BERKELEY RUN
ATLANTA, GA 30342

CRAWFORD, KENNETH T
3086 CARRIAGE MANOR CIR
TALLAHASSEE, FL 32304-1100

DAMON & MOREY, LLP
SCHIFELING BARBARA
298 MAIN ST
BUFFALO, NY 14202-4005

DJM CONTRACTING CORP
42 CHICAGO PL
HUNTINGTON STATION, NY 11746

ECONOMY RESTAURANT & BAR
SUPPLY, INC
69 N 2ND ST # 71
PHILADELPHIA, PA 19106-2215

ELLER MEDIA CORPORATION AND
2201 E. CAMELBACK RD
SUITE 500
PHOENIX, AZ 85016

FARM BUREAU MUTUAL INSURANCE
COMPANY OF
7373 W SAGINAW HIGHWAY
PO BOX 30400
LANSING, MI 48909-7900

FIRST CLASS COVERAGE, INC.
150 BROADWAY STE 2206
C/O LAW OFFICES OF MARK D.
LEFKOWITZ
NEW YORK, NY 10038-4493

FORTENBERRY, JEFFERY B
1276 REED RD
STARKVILLE, MS 39759

GENERAL ELECTRIC CAPITAL
CORPORATION
44 OLD RIDGEBURY RD
DANBURY, CT 06810-5107

GENERAL INTERNATIONAL LIMITED
JESSIE RICHARDSON
3RD FLOOR, AIG BUILDING
29 RICHMOND ROAD
PEMBROKE, HM08

HAIRRELL, MYRON
516 LAKE AVE APT 4
WOODSTOCK, IL 60098-4283

HELP DESK, INC.
2200 HIGHWAY 121 STE 100
C/O JAMES F. MORGANSTEEN, ESQ.
BEDFORD, TX 76021-5983

HILL, LILLIE M.
1248 N YALE AVE
TULSA, OK 74115-6415

HUDSON NEWS COMPANY
1 MEADOWLANDS PLZ
EAST RUTHERFORD, NJ 07073-2150

JONES, RICKY
364 RIVER STREET
HOBART, NY 13788

LOPEZ, MARIO AND MARTA LOPEZ
C/O GEORGE BALTAJE, ESQ
15821 VENTURA BLVE., STE. 245
ENCINO, CA 91436

MERCY MEDICAL CENTER
1000 N VILLAGE AVE
ROCKVILLE CENTRE
ROCKVILLE CENTRE, NY 11570-1000

MILLER, MARY
PO BOX 3253
RANCHO PALOS VERDE, CA 90274

NATIONAL ENVIRONMENTAL
SAFETY COMPANY, INC.
ERIC MICHAEL PASINKOFF
260 MADISON AVE; 22ND FLOOR
NEW YORK, NY 10016

Claim Objector Service List
Ario v. Reliance Insurance Company, No. 269 M.D. 2001 (Pa. Commw. Ct.)

POARCH BAND OF CREEK INDIANS 5811 JACK SPRINGS ROAD ATMORE, AL 36502	RIVER PARK ASSOCIATES A MEMBER OF THE NATIONAL COALITION OF PROPERTY OWN 55 RICHMAN PLZ BRONX, NY 10453-6466	STANFIELD, BRIAN 10132 CLOVERDALE DR SAINT LOUIS, MO 63136-4214
THE FUJI BANK LIMITED JAMES RITTER 350 SOUTH GRAND AVENUE SUITE 1500 LOS ANGELES, CA 90071	THOMPSON, WALTER K 20 SHELLY ROAD NORTON, MA 02766	THURSTON COUNTY RISK MANAGEMENT DEPT 2000 LAKERIDGE DR SW OLYMPIA, WA 98502-6001
TOMPKINS, SHARON A/K/A SHARON RICHARDSON 16220 BEECHWOOD DR CHARLESTOWN, IN 47111-9756	VARGAS, FRANCISCO C/O ATTORNEY D. MICHAEL CARUTHERS 431 SOUTH PALM CANYON DRIVE SUITE 204 PALM SPRINGS, CA 92264	WARNER BROS. ENTERTAINMENT INC. SUCCESSOR-IN-INTEREST TO WARNER BROS. A DIVISION O 4000 WARNER BLVD RM 5158 BLDG 156 5158 BURBANK, CA 91522-0001
WARRANTECH AUTOMOTIVE P O BOX 1179 BEDFORD, TX 76095	WARRANTECH AUTOMOTIVE, INC JAMES F. MORGANTEEN, ESQ. 2200 HIGHWAY 121 SUITE 100 BEDFORD, TX 76021-5983	WARRANTECH CONSUMER PRODUCTS SERVICES, INC. JAMES F. MORGANTEEN ESQUIRE 2200 HIGHWAY 121, STE 100 BEDFORD, TX 76021-5983
WARRANTECH HOME ASSURANCE CO. 2200 HIGHWAY 121 SUITE 100 BEDFORD, TEXAS 76021	WARRANTECH HOME SERVICE COMPANY JAMES F. MORGANTEEN, ESQ. 2200 HIGHWAY 121, STE. 100 BEDFORD, TX 76021-5983	WCPS OF FLORIDA INC. JAMES F. MORGANTEEN, ESQ. 2200 HIGHWAY 121 STE 100 BEDFORD, TX 76021-5983
WILSON, CLAUDE J 29 FORTUNE DR LANE, SC 29564	ALAN FEIN, STEARNS WEAVER MILLER, ET AL 150 W FLAGLER ST STE 2200 MIAMI, FL 33130-1536	ANDERSON KILL & OLICK, P.C. JEREMY FLANAGAN 1251 AVENUE OF AMERICAS NEW YORK, NY 10020
ANDERSON KILL & OLICK, P.C. 1251 AVENUE OF THE AMERICAS NEW YORK, NY 10020-1104	BALTAXE, GEORGE ESQ 15821 VENTURA BLVD, STE. 245 ENCINO, CA 91436	BILZIN, SUMBERG, BAENA, PRICE & AXELROD MITCHELL WIDOM 200 S. BISCAYNE BLVD SUITE 250 MIAMI, FL 33131-5340
CARR, ALLISON, PUGH & SISSON LAW OFFICE CHARLES CARR, ATTORNEY 156 HONEYSUCKLE RD STE 6 BRIGHTLEAF COURT MOTHAN, AL 36305-1168	CARR, ALLISON, PUGH, OLIVER & SISSON PC WILLIAM SISSON 6251 MONROE ST STE 100 DAPHNE, AL 36526-7153	CARUTHERS, D. MICHAEL ESQ. 431 SOUTH PALM CANYON DRIVE STE 204 PALM SPRINGS, CA 92264
DOZEN O'CONNOR WARREN JACOBY, ESQ. 900 MARKET ST PHILADELPHIA, PA 19103-3527	ED KRUSE ATTORNEY AT LAW 2016 SOUTH BIG BEND BLVD SUITE 405 ST. LOUIS, MO 63117	GARAN, LUCOW, MILLER AND SEWARD, P.C. PAUL L. DIESEL, ESQUIRE 8332 OFFICE PARK DR GRAND BLANC, MI 48439-2076

Claim Objector Service List

Ario v. Reliance Insurance Company, No. 269 M.D. 2001 (Pa. Commw. Ct.)

HANDLER, HENNING & ROSENBERG,
LLP
ADAM G. REEDY
13300 LINGLESTOWN ROAD
HARRISBURG, PA 17110

HELLER, EHRMAN, WHITE AND
MCAULIFFE, LLP MICHAEL R.
WRENN
701 5TH AVE STE 6100
SEATTLE, WA 98104-7043

JACOBS AND JACOBS, ESQS.
THE MADISON BUILDING
31 LAKE STREET
PO BOX 159
STAMFORD, NY 12167

KING LEBLANC & BLAND, P.L.L.C
HENRY A. KING
201 SAINT CHARLES AVE STE 3800
NEW ORLEANS, LA 70170-1034

LAW OFFICES OF SAMUEL I.
BERNSTEIN
31100 NORTHWESTERN HWY
FARMINGTON HILLS, MI 48334-2519

LING, GARY A
3660 W. MONTAGUE AVENUE
N. CHARLESTON, SC 29418

LOSAVIO LAW FIRM
KENT S. DEJEAN
3414 BLUEBONNET BLVD.
SUITE 110
BATON ROUGE, LA 70810

MATTIONI, LTD.
GENE MATTIONI
399 MARKET ST FL 2
PHILADELPHIA, PA 19106-2138

MORGAN LEWIS & BOCKIUS
1701 MARKET ST
PHILADELPHIA, PA 19103-2903

PASINKOFF, ERIC MICHAEL
ESQ.
260 MADISON AVE, 22ND FLOOR
NEW YORK, NY 10016

PILLSBURY WINTHROP. LLP
PHILIP WARDEN, ESQ.
50 FREMONT ST
SAN FRANCISCO, CA 94105-2230

PODHURST, ORSECK, PA
25 WEST FLAGLER STREET
#800
MIAMI, FL 33130

REED & SMITH LLP JONATHAN
KROMBER
599 LEXINGTON AVE
NEW YORK, NY 10022

REED SMITH LLP
1600 MARKET STREET
PHILADELPHIA, PA 19103

REED SMITH, LLP
TIMOTHY LAW, ESQ.
1650 MARKET STREET
SUITE 2500
PHILADELPHIA, PA 19103

SMITH WILSON & DUNCAN
P O BOX 15525
AMARILLO, TEXAS 79105

WAYNE M. SMITH, ESQ. WARNER
BROS ENTERTAINMENT INC.
7000 WARNER BLVD BLDG 156 RM.
5158
BURBANK, CA 91722